

An Internship Report
on
An Overview of Foreign Exchange Operations of Sonali Bank
Limited, Suihari Branch, Dinajpur

This report is submitted to the Department of Accounting, Faculty of Business Studies, Hajee Mohammad Danesh Science and Technology University, Dinajpur for the partial fulfillment of the degree of Master of Business Administration (MBA in Accounting and Information Systems (AIS))



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March, 2022

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Acknowledgement

At the very beginning, I would like to express my gratitude to Almighty Allah for whose kindness, I am enough sound mentally and physically to prepare this internship report. I would also like to express my deepest appreciation to all those people whose constant support helped me in completing this internship report.

I would also like to thank my internship supervisor Mohammad Main Uddin, Assistant Professor, Department of Accounting, Hajee Mohammad Danish Science and Technology University, Dinajpur for his continuous guidance, encouragement and suggestions during the preparation of my internship report. His availability, valuable time and continuous support helped me to develop ideas and improve my report. As it is an online semester and meeting upfront was impossible, sir arranged video conference to solve my confusion which was a great help. His constant guidance, suggestion and help whenever I was in need. His guidance helped me to clear my confusions in areas of the report which at first seemed hard to work on.

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Last but not the list I would like to give a big thanks to my family and friends who have helped me throughout my internship program, without all of them this would never have been possible.

.....
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Sonali Bank Limited
উদ্ভাবনী ব্যাংকিং এ আপনার বিশ্বস্ত সঙ্গী

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TO WHOM IT MAY CONCERN

This is to certify that, **Asaduzzaman** having Student ID No. **1905830**, MBA in Accounting and Information Systems (AIS), Department of Accounting, a student of Hajee Mohammad Danesh Science & Technology University (HSTU), Dinajpur, under MBA program has successfully completed form 02/11/2021 to 11/02/2022, Total **90(Ninety) days** internship program at Sonali Bank Limited, Suihari Branch, Dinajpur.

During his internship period **Asaduzzaman** was found honest, sincere & responsible to his assigned duties.

We wish him every success for the days to come.


Md. Mostafijur Rahman
Manager
(Principal Officer)
Sonali Bank Limited
Suihari Branch
Dinajpur.

মোঃ মোস্তাফিজুর রহমান,
প্রিন্সিপাল অফিসার (ম্যানেজার)
বি-৮৬৩৫

Certificate of Supervisor

I hereby declare that the concerned internship report on “An Overview of Foreign Exchange Operations of Sonali Bank Limited, Suihari Branch, Dinajpur” is a work done by Asaduzzaman, bearing Student ID: 1905830, MBA in Accounting and Information Systems (AIS), Department of Accounting, Batch 08th, Faculty of Business Studies, Hajee Mohammad Danesh Science and Technology University, Dinajpur-5200. He has performed his work under my supervision and direction to submit the report for the partial fulfillment of the requirement of the degree of Master of Business Administration.

I wish him every success in life.

.....
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Certificate of Co-supervisor

I hereby declare that the concerned report on “An Overview of Foreign Exchange Operations of Sonali Bank Limited, Suihari Branch, Dinajpur” is a work done by Asaduzzaman, bearing Student ID: 1905830, MBA in Accounting and Information Systems (AIS), Department of Accounting, Batch 08th, Faculty of Business Studies, Hajee Mohammad Danesh Science and Technology University, Dinajpur-5200. He has performed his analyzing performance under my co-supervision and direction to submit the report for the partial fulfillment of the requirement of the degree of Master of Business Administration.

I wish him every success in life.

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Student's declaration

I hereby declare that the report work entitled “An Overview of Foreign Exchange Operations of Sonali Bank Limited, Suihari Branch, Dinajpur” is prepared by me, which is supervised by Mohammad Main Uddin, Assistant Professor, Department of Accounting, Faculty of Business Studies, HSTU Dinajpur.

I further affirm that the work and information presented in this work is original and any part or whole has not been submitted to, in any form, any other University or Institution for any degree or any other purpose.

.....
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Abstract

Sonali Bank Ltd is one of the state-owned banks in our country. People and the government itself are very much dependent on the service provided by the 61 banks in the financial markets. One country can be able to produce some item more in amount than it needs. Given the situation, the item more than necessary needs to be exported to some other country that cannot produce the same as per requirement and vice versa. And this situation leads to international trade, which is executed maintaining some procedures. Everybody though linked with international trade somehow in the globalization era today, does not have a clear knowledge as to what these procedures are like. I have chosen this topic of my internship report because it helps me to practical acquaintance on the Foreign Exchange Activities. Secondly I tried to identify the problem and find out the solution to the shortcoming foreign exchange activities and provide suggestion that may supportive for the betterment of the system thought comparing it with other banks. This report has intended to serve that purpose of giving an overview of import export procedures along with a highlight on foreign remittance and that from Sonali Bank Limited, Local office perspective. The main limitation of this report I got limited time for gathering all information about foreign exchange operation. The report is almost all description. The report gives an insight into the procedures and formalities maintained by Sonali Bank Limited in handling international trade-import, export, along with foreign remittance. The report has been conducted largely depending on secondary data sources such as manual, annual reports, bank parikrama and other documents. To fulfill the objective I have done the analysis of some numerical data and showed them with the help of significant graph. Necessary recommendation is provide to hold the services, which are accelerated by the bank according to the analysis of the report. It is mentioned here that no structured/written questionnaire was used for the object to serve.

Key words: Export, Foreign exchange, Remittance, International trade, Import

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CHAPTER 1

INTRODUCTION

1.1 Background of the Report

As a business banking has had an evolution from pre historic period to the present period. It has developed this position phase by phase. Now it is its extreme organized form. It is an important component of a sound economic system for smooth functioning of fund mobilization. Frankly speaking, it is the mainstream that leads to the economic position of any country. It is considered the lifeblood of an economy situation. People of the all profession are somehow getting benefit out of it. Now days a sound banking system has become a sine-qua-non for the progress of any country, especially in the arena of globalization today. International trade has peeped for our everyday life. As for example jute produced in suburb are of Bangladesh is being used in far European countries in the form of bags for shopping. Again the fertilizer and machinery that are being used to produce jute and other agro products are import from Japan. People work in abroad are remitting money into Bangladesh. Given this, close contact with foreign exchange has been mast. But the general public along with others more likely to get involved in foreign exchange does not have a clear understanding thereof. Exposing foreign exchange practice is the continue of this report.

1.2 Purpose of the Report

The general object of this report is to get acquainted with the foreign exchange practice in Sonali Bank Limited of Bangladesh. But the specific objectives are as follows.

- (i) To be acquainted with the import procedures it follow and maintain.
- (ii) To have a look at the export procedures it adopt and implement.
- (iii) To get familiar with foreign remittance exercise in Sonali Bank Limited.

1.3 Scope of the Report

The scope of this report is confined in foreign exchange practice in Sonali Bank limited. It should only cove how the bank control import-export process as well as foreign exchange.

1.4 Limitations

Problems are communal to report. That is some shortcoming in Writing report and this one is also not exceptional. The report was focusing on foreign exchange practice. Sonali Bank Limited is doing foreign exchange trade through 29 authorized dealers out of 105 branches across the country, one of, which is located in Dinajpur. The internship was settled to Sonali Bank Limited, Local office for the purpose to serve. There are some limitation given below

- i. Lack of previous experience to prepare this type of report and it's fully new to me as an intern.
- ii. Observation of the activity of any organization It's very difficult task.
- iii. Another shortage is that I have not used any regression and correlation analysis for this report.
- iv. I have analysis only the data from 2016 to 2020 but I have not provide any COVID-19 impact on foreign exchange because bank have not published this update data yet.

1.5 Background of Sonali Bank Limited

Soon after independence of the country Sonali Bank emerged as the largest and leading Nationalized Commercial Bank by proclamation of the Banks' Nationalization Order 1972 (Presidential Order-26) liquidating the then Sonali Bank of Pakistan, Premier Bank and Bank of Bhawalpur. As a fully state owned institution, the bank had been discharging its nation-building responsibilities by undertaking government entrusted different socio-economic schemes as well as money market activities of its own volition, covering all spheres of the economy.

The bank has been converted to a Public Limited Company with 100% ownership of the government and started functioning as Sonali Bank Limited from November 15 2007 taking over all assets, liabilities and business of Sonali Bank. After corporatization, the management of the bank has been given required autonomy to make the bank competitive & to run its business effectively.

Sonali Bank Limited is governed by a Board of Directors consisting of 11(Eleven) members. The Bank is headed by the Chief Executive Officer & Managing Director, who is a well-known Banker and a reputed professional. The corporate head quarter of the

bank is located at Motijheel, Dhaka, Bangladesh, the main commercial center of the capital.

1.6 Visions and Mission

Vision

Socially committed leading banking institution with global presence

Mission

Dedicated to extend a whole range of quality products that support divergent needs of people aiming at enriching their lives, creating value for the stakeholders and contributing towards socio-economic development of the country

Slogan

Your trusted partner in innovating banking

CHAPTER 2

LITERATURE REVIEW

For this literature review, I conducted a database search of reviewed academic journal articles by searching for terms like “foreign exchange services”, “foreign exchange performance” and “Bank profitability” and many more. This search resulted in a large selection of articles and publications, which I studied to determine which to be added in the review for this paper. In inclusion to the reviewed journal articles, I also used references from popular media sources and visited general relevant online websites to provide what may be viewed as the popular mainstream perspective.

Marrewijk (2004) said that, the foreign exchange market is a form of exchange for the world wide decentralized trading of international currencies. Financial centers around the world function as anchors of trading between wide ranges of various types of buyers sellers around the clock, with the exception of weekends. The foreign exchange market assists Global trade and investment by enabling currency conversation . such as, it permits a business in the United States to import goods from the Europien Union member states especially Euro zone members and pay Euros, even though its income is in USD. It also supports direct speculation in the value of currencies, and the carry trade, speculation based on the interest rate differential between two currencies.

Chowdhury *et al.*, (2009) discussed that Banking system plays a vital role in the economic life of the nation. The health of the economy is closely related to the soundness of the banking system. In a developing country like Bangladesh the banking system as a whole play a important role in the progress of economic development. A bank as a matter of fact is just like a heart of the economic structure and the Capital provided by it is like blood in it. As time as blood is in circulation the organs will remain sound and healthy. If the blood is not provided to any organ then that part would become useless. Export and Import facility provided by the banks works as a incentive to the producer to increase the production. Most of the banks carried on foreign exchange trade in the world. Whether they export or import, it is through banks that currency is transferred from one country to another. such as bills of exchange and letters of credit are the regular ways banks use to transfer money.

Siddique and Islam (2001) pointed out that the Commercial Banks, as a whole, are performing good and contributing to the economic development of the country. The average profitability of all Bangladeshi banks collectively was 0.09% during 1980 to 1995 but it will be enhance year by year which means that a profit of TK 0.09 was earned by utilizing assets of TK 100. In every aspect of profit, banking sector contributes the national economy as well as to the individual organization.

Jahangir *et al.*, (2007) stated that the traditional measure of profitability through stockholder's equity is quite various in banking industry from any other sector of business, where loan-to-deposit ratio works as a very good indicator of banks' profitability as it depicts the status of asset-liability management of banks. But banks' risk either Assistant with this asset liability management or related to growth opportunity. Smooth growth secure higher future returns to holders and there lies the profitability which means not only current profits but future returns as well. So, the market size and market concentration index along with return to equity and loan-to-deposit ratio grab the attention of analyzing the banks' profitability. The banking industry of Bangladesh is a mixed one comprising government, private and foreign commercial banks. Many efforts have been made to explain the efficiency of these banks. Understanding the performance of banks need knowledge about the profitability and the relationships between variables like market size, bank's risk and bank's market size with profitability. Indeed, the performance evaluation of commercial banks is especially significant today because of the fierce competition. The banking industry is experiencing major transition for the last three decades this is now becoming imperative for banks to endure the pressure arising from both internal and external factors and prove to be profitable. Until early 1986, Bangladesh had a highly repressed financial sector (Chowhdury *et al.*, 2014). Banks and other financial institutions were fully owned by the government. In the early part of 1980, Bangladesh entered into the IMF and World Bank adjustment programs and the process of privatization and liberalization earned momentum under the influence of the World Bank and the IMF. Since then the banking industry of Bangladesh has become an attractive sector for both domestic and foreign investors to take part in the game. It is of most importance that these players prove themselves profitable.

Smith *et al.*, (2014) reported that, foreign exchange is the exchange of one currency for another / the conversion of one currency into another currency. Foreign exchange also

refers to the world wide market where currencies are traded virtually around the clock. Foreign Exchange is a procedure which is converted one national currency into another and transferred money from one country to another country.

Fatemi and Salvatore (2012) said that foreign exchange refers to the process or mechanism by which the currency of one country is converted into the currency of another country.

According to foreign exchange regulation act 1947(article 3d)“Anything those conveys the right to wealth in another country is foreign exchange”. The foreign exchange regulation Act 1947 (Article 2d) states that foreign exchange means foreign currency and it also add any instrument drawn, accepted, made or issued all deposits, credits and balances payable in any foreign currency and any draft, traveller’s cheque, letter of credit and bill of exchange expressed or drawn in Bangladesh currency but payable in any foreign currency. Foreign trade provide rise to foreign exchange and modern banks facilitate trade and commerce by rendering valuable services to the business community. In banks, foreign exchange means the common mechanism by which a bank converts currency of one country into that of another (Ghosh, 2012). In a simple form, Foreign exchange Market is a place in Where foreign exchange transactions take place.

To examine the dynamic linkages between the foreign exchange and stock markets for India, Samanta and Nath (2003) employed the Granger causality test on daily data during the period March 1993 to November 2002. The empirical findings of the study proposed that these two markets did not have any causal relationship. When the study expanded its analysis to verily if liberalization in both the markets brought them together, it found no significant causal relationship between the exchange rate and stock price movements, except for the years 1993, 2001 and 2002 during when a unidirectional causal influence from stock index return to return in forex market is detected and a very mild causal influence in the reverse direction is Five composite indices and five sectoral indices were studied over the period of one year: 2000. The conclusion indicated that exchange rate has high correlation with the movement of stock markets.

Apte (2001) Enquiry the relationship between the volatility of the stock market and the nominal exchange rate of India by using the EGARCH specifications on the daily closing INR/USD exchange rate, BSE30 (Sensex) and NIFTY50 over the period 1991 to 2000.

The study proposed that there appears to be a spillover from the foreign exchange market to the stock market but not the reverse.

Seyed M Mehdian and Richard A Ajayi, Joseph Friedman (1998) employed monthly and quarterly information on a set of advanced and emerging economies from 1973- 1983 to examine the relationship between real stocks return differentials and changes in real exchange rates.

Ajayi and Mougoue (1996) Enquiry the short-and long- run relationship between stock prices and exchange rates in eight advanced economies. Of interest to me are the results on short run affect in the U.S. and U.K. markets. They find that an enhance in stock prices causes the currency to depreciate for both the U.S.

Besides above study report I collected more information from sonali bank limited website. When I work sonali bank as an intern I read It's annual report of recent year and previous year. I work only 3 month but in this three month had many experience which are not before.

CHAPTER 3

METHODOLOGY

3.1 Methodology

Data

The report is prepared on the basis of foreign exchange of sonali bank. To conduct the overall study, at first I explore the source of secondary information and data. I used annual report of 2016-2020 of sonali bank limited. For preparing this report I have used some graphical representation.

As mentioned earlier, mainly secondary data has been used.

The primary sources are:

- i. Official record of sonali bank limited
- ii. Observation

The secondary sources are:

- i. Annual reports of Sonali Bank Ltd. 2016-2020.
- ii. Relevant books, Research paper, newspapers and journals.
- iii. Monthly statement of Sonali bank limited.
- iv. Working Paper.
- v. Official file and Selected books.
- vi. Through online searching and websites.

Moreover, what I have learned from my 3 months working experience under various departments? Basically, I have written my understanding about foreign exchange banking during my internship time period.

CHAPTER 4

PROCEDURES AND FORMALITIES RELATED WITH FOREIGN EXCHANGE OPERATIONS OF SONALI BANK LIMITED

4.1 Import Trade

While doing import-export or overseas business, some problems may arise. Because of the person who buys goods and who sells goods are of different countries, problem may arise. However the transactions happen through different currencies. To settle any difficulties related with international trade, international chamber of commerce has established some rules and regulations, which have to be followed throughout the world. These regulations are said UCPDC (Uniform Customs & Practice for Documentary Credit). According to UCPDC importer should open an L/C for importing anything from abroad. Now day import process is depicted phase by phase from practical viewpoint.

4.1.1 Import Process

- (a) At the very beginning, the buyer and seller various countries communicate personally or through agent/indenture about the buy and sell.
- (b) Upon discussion the exporter prepares a pro-forma invoice stating quality, quantity, unit and total price, total value, transshipment or otherwise, and sends it to the importer.
- (c) The importer satisfied upon the terms and conditions
- (d) Puts signature mentioning 'accepted' on the invoice, resulting of a contractual binding. Then the importer applies to the bank for opening a L/C submitting invoice thereof.
- (e) Banks make the compliance of the products imported with harmonized method code. H.S.C matching, the bank issues LCAF for the importer to fill in the bank also requires the importer to submit the following documents:
 - i. Original and Legal I.R.C issued by CCI & E
 - ii. Income tax provided certificate mentioning tax incorporation number
 - iii. Membership certificate of regional trade association

- iv. Vat registration certificate of transaction
- v. Trade license of bank
- vi. Declaration of assets and liabilities of bank
- vii. Insurance cover note with money receipt of all transactions
- viii. IMP form dully filled in and signed of
- ix. Upon receipt of the above mentioned documents the bank issues an L/C for relative document charges and sends it to the advising bank in beneficiary's country to pass the L/C to the beneficiary
- x. Upon receipt of the L/C the exporter carries out all formalities needed exporting goods
- xi. He collected goods and takes arrangements for shipment
- xii. The shipping company issues bill of lading upon taking delivery of the goods on board for required charges

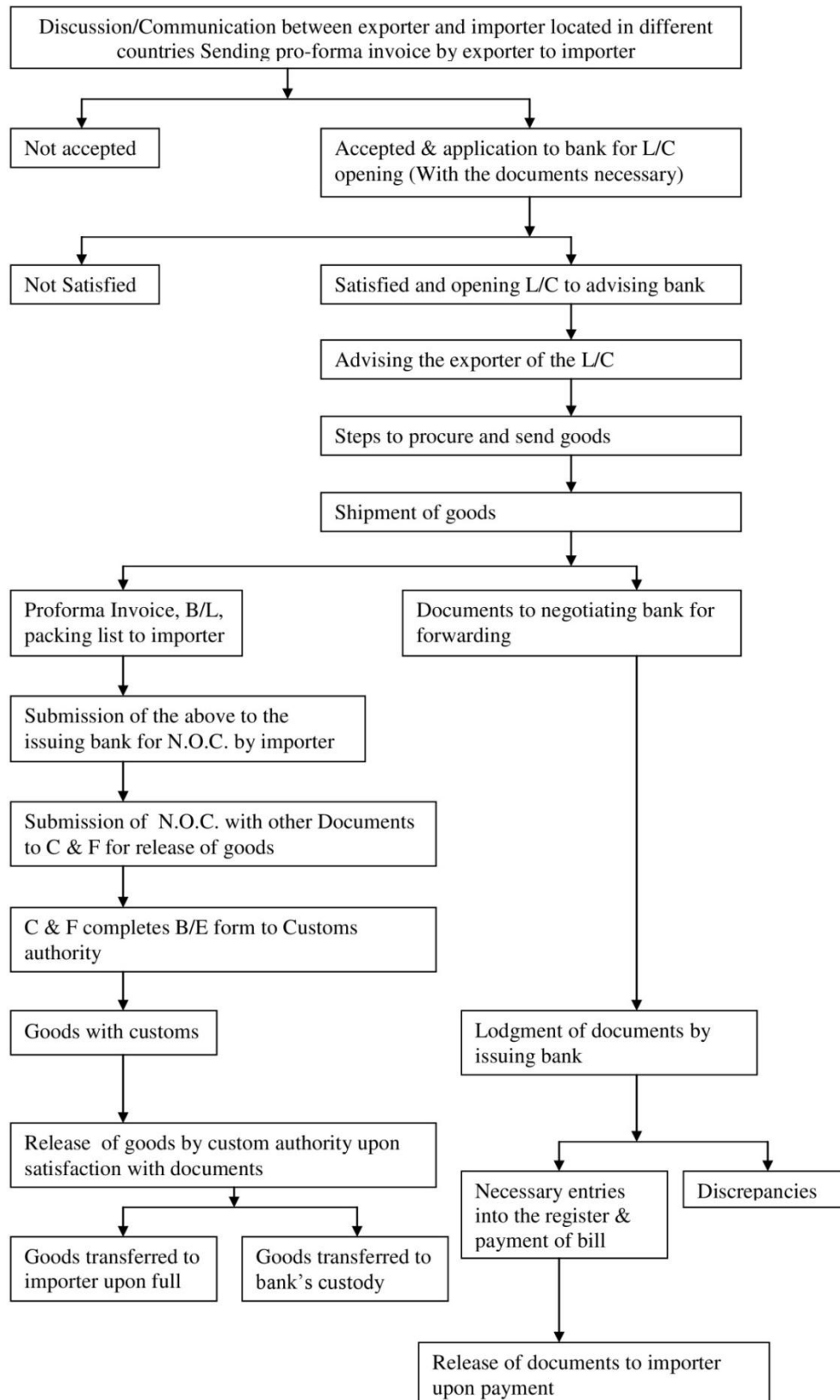
Exporter informs the importer about the shipment of goods along with an invoice, B/L and packing list if any transaction. On the other hand, he submits the following documents to the negotiating bank is forwarded to the issuing bank, which performs lodgment upon receipts of the documents forwarded. Upon arrival of the import documents from negotiating bank, the dealing officer of the issuing bank sees whether the documents are complied with L/C terms and required conditions. If so, necessary entries are made in the register to completed the lodgment. Before lodgment, in the following documents are checked:

- (i) Bill of exchange
- (ii) Commercial invoice
- (iii) Packing list
- (iv) Bill of lading
- (v) Certificate of origin
- (vi) Inspection certificate
- (vii) Shipping advice
- (viii) Negotiating bank's forwarding

Otherwise discrepancies are shown and concern to the negotiating bank for the knowledge of the exporter within a certain/reasonable time. A list of discrepancies is given to appendix-A. The payment is held up till then and the issuing bank can cut \$ 50

from the original bill the issuing bank makes payment to the negotiating bank after accurate through negotiating bank.

Chart 1: Flow chart of Import Process (from Practical view point)



4.1.2 Import Finance

The bank extends many types of post-import loan to the importer.

Import Bill

In case of failure of the importer to pay the bill the bank extends import bill loan package but the goods are kept under the direct control of the bank. Bank terms it as an investment in the form of partnership business under IB. the bank charges a profit rate and it will charge profit only for as many times as the loan is used. Generally, loan is sanctioned for the three/four months under this investment account.

Postal Import

Upon the failure of the importer to pay the bank yet, the IB is transferred to PI where the investment could last for as long as one year. It needs approval from the head office for the sanction. Income in this case is charged the same way as in PI. In interest based bank it is termed as LIM loan against the import.

Cash Credit

Import finance is also sanctioned under this principal. In this case 100% collateral is needed for the importer to get loan inactive under this account. This investment account is adjusted as the importer makes payment for transaction.

Pre-Shipment Finance

Pre-shipment is required only when the importer is required to place with the government before receiving permission.

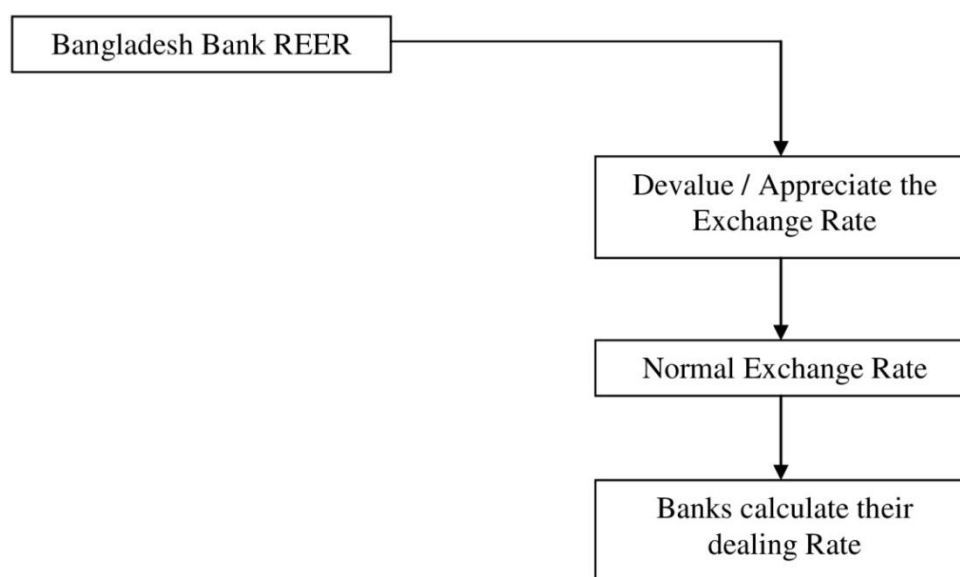
4.1.3 Exchange Rate

Exchange rate is an important issue in international trade and payment. Generally, two spot rates are available in the Bangladesh given floating exchange rate in force now. The 2 spot rates are selling and buying.

The authorized dealers sell dollar to the customers at higher rate and buy from the same at lower rate. A base rate is in control on the inter bank market. This base rate is in force in buying and selling of dollars among all banks. While buying from the 26 customers a rate, a bit lesser than the base rate is used. The authorized dealers buy from the customer

at lower rates and adds a margin (transportation costs, brokerage fees, and profit) to make it of line with base rate in force in inter-bank. While selling to the customers the AD sells at a rate higher than the base rate. This extra includes transportation cost, profit and brokerage fees. Mentioned that this additional charge different depending upon the transaction size and the customer relationship with them.

Chart 2: A flow chart of how exchange rate is determined



Bangladesh Bank follows the pegging Method of exchange of taka with a basket of foreign currencies. The basket of foreign currencies is determined considering the currencies of most trading partners of Bangladesh. Bangladesh Bank fixes the rate of foreign currency exchange based on the calculation of nominal effective and efficiency exchange rate and real effective exchange rate.

Then it devalues or appreciates the exchange rate as and when need, which in turn result in common exchange rate. Actually this is the rate dictated by Bangladesh bank to Applied. The commercial bank then adds or deducts as required to execute the foreign exchange.

4.1.4 Payment Method

Payment is made under documentary credit of the bank. The following five major steps are Related in the operation of a documentary L/C.

- (i) Issuing
- (ii) Advising

- (iii) Amendment
- (iv) Presentation and
- (v) Settlement

Issuing

Upon the request of the importer, the bank located in importer's country generally opens a L/C behalf of the importer and in behalf of the exporter with requiring the importer to submit necessary documents being satisfied with by the bank.

Advising

The issuing bank takes required steps to advise the exporter of the L/C through its foreign correspondent known as advising bank generally located in the exporter's country.

Amendment of Credit

Parties involved in a L/C, particularly the seller and the buyer may not always satisfy the all terms and conditions in full as expected due to some obvious and genuine reasons. In such a situation, the credit must be amended.

In case of revocable credit, it can be amended or cancelled by the issuing bank at any situations and without prior notice to the beneficiary. But in case of irrevocable credit, it can neither be amended nor cancelled except the agreement of the issuing bank, the confirming bank (if any) and the beneficiary.

Presentation of Documents

The seller being satisfied with the all terms and conditions of the credit proceeds to dispatch the required goods to the buyers and after that, has to present the documents evidencing dispatching of goods to the negotiating banks on or before the stipulated expiry date of the credit. After receiving all the documents, the negotiating bank audit the documents against the credit. If the documents are found in order, the bank will pay cash, accept or negotiate to the issuing bank. The issuing bank also checks the documents and if they are found as per needed, either

- i. Effects payment or
- ii. Reimbursement in the pre-agreed manner

4.1.5 Settlement

It means fulfilling the commitment of issuing bank in regard to effecting payment related to satisfying the credit terms fully. This settlement may be done under three-separate arrangement as stipulated in the credit. These are:-

Settlement by Payment

Here the seller of the bank presents the documents to the paying bank and the bank then scrutinizes the documents. If satisfied, the paying bank makes payment to the beneficiary and in case this bank is other than the issuing bank, after then sends the documents to the issuing bank. If the issuing bank is satisfied with the requirements, the paying bank from the issuing bank obtains payment of Money.

Settlement by Acceptance

Under this arrangement, the seller submits the documents evidencing the shipment to the accepting bank accompanied by the draft drawn on the bank (where credit is available) at the identified tenor. After being satisfied with the documents, the bank accepts the all documents and the draft and if it is a bank other than the issuing bank, then sends the documents to the issuing bank stating that it has accepted the draft and at maturity the reimbursement will be obtain in the pre-agreed manner.

Settlement by Negotiation

This settlement procedure starts with the submission of documents by the seller to the negotiating bank accompanied by a draft drawn on the buyer or any other drawer, at a tenor or a sight, as identified in the credit. After scrutinizing that the documents meeting the credit requirements, the bank may negotiate the draft. This bank, if other than the issuing bank, then sent the documents and the draft to the issuing bank. As usual, reimbursement will be obtained in the pre-agreed manner.

4.2 Export Trade

The imports and exports act and law, 19*50 regulate the import and export trade of our country. No person who has been granted registration by the chief controller of imports and exports should indent, import or export anything into or out of Bangladesh. Without in cases of exemption issued by the government. If any person contravenes any provision

of the act or any order law made under this act is punishable with imprisonment for a term, which may extend to one year or with good of both.

4.2.1 Export Formalities

There are several number of formalities, which an exporter has to fulfill before and after shipment of goods. Those formalities or procedures are enumerated as follows:

Registration of Exporters

The export from Bangladesh is subject to export trade control practice by the ministry of commerce through chief controller of imports and exports (CCI & E). No exporter is allowed to export to any commodities permissible for export from Bangladesh unless he is registered with CCI & E and holds Legal Export Registration Certificate (ERC). The ERC is needed to be renewed every year. The4 ERC number is to be incorporated on EXP forms and other form connected with exports.

Procedure for Obtaining Export Registration Certificate (ERC)

For obtaining Export Registration Certificate, intending Bangladesh exporters are needed to apply to the controller/joint controller/deputy controller/assistant controller of imports and exports, Dhaka/ Chittagong/ Rajshahi/ Khulna/ Mymenshingh/ Sylhet/ Comilla/Barisal/ Pabna/ Bogra/ Rangpur/ Dinajpaur/ as the case may be, in the prescribed form along with the following documents:

- (i) Nationality and assets certificate of the proprietor and directors.
- (ii) Registered partnership deed and book in case of partnership concerns
- (iii) Memorandum and articles of association and incorporation certificate in case of limited company.
- (iv) Bank certificate
- (v) Income tax certificate
- (vi) Copy of valid trade license
- (vii) Copy of rent received of the business premises.
- (viii) Membership certificate of a trade association
- (ix) Affidavit from a 1st class magistrate
- (x) Any other certificate as required in the policy etc.

Registration/Renewal

On receipt of necessary advice from the offices of the controller/joint controller/deputy controller/assistant controller of imports and exports, applicants for export registration certificate are needed to deposit requisite registration fee to the government head of account '42-trade and commerce –fees realized under the imports and exports control act 1950' through Bangladesh Bank/Government Treasury/Sonali Bank. Copies of treasury chalans showing payment of fees should be sent to the concerned offices of the chief controller of imports and exports for enabling them to issue export registration certificate. Once registered, exporters are needed to make annual payments for having their export registration certificate renewed.

Security and Order

Upon registration, the exporter might proceed to secure the export order. He can do these by contracting the buyers directly through correspondence. Some buyers of goods like jute and jute goods Control liaison office representatives or local agents who can be contracted to secure a deal. Sometimes, TCB, BJMC and BJMC secure bulk contracts and pass or allocate the contracts to the actual exporters. To locate the foreign buyers the exporters may communicate the local chamber of commerce of potential buyers. The export promotion bureau and the Bangladeshi missions abroad are also good sources for securing information and data on the prospective foreign buyers.

Signing the Contract

The following are the points, which require to be borne in mind while making a contract:

- (i) Description of the commodity
- (ii) Quantity of the commodity
- (iii) Price of the commodity
- (iv) Shipment
- (v) Insurance and marks
- (vi) Inspection
- (vii) Arbitration

Receiving of the Letter of Credit

The following are the main points to be located into-

- i. The terms of the L/C are in conformity with those of the contract.
- ii. The L/C is an irrevocable one, preferably confined by the advising bank.
- iii. The L/C allows sufficient time for shipment and a reasonable period for negotiation.
- iv. If the exporter wants the letter of credit to be transferable, divisible and advisable, he should ensure that these stipulations are specifically noted in the L/C.

Procuring the Materials

After making the contract and on having the L/C opened in favor, the next step for the exporter is to set about the task of procuring or manufacturing the contracted merchandises.

Shipment of Goods

The following are the documents and form normally involved at the stage of shipment:

- (i) EXP form (it must be certified by the bank first and then by the custom authority)
- (ii) Photocopy of the registration certificate
- (iii) Photocopy of the contract
- (iv) Photocopy of the L/C
- (v) Railway receipt, barges receipt or truck receipt
- (vi) Shipping instruction
- (vii) Insurance policy

Preparation of Exports Documents

- (i) Bill of exchange of draft
- (ii) Bill of lading

- (iii) Invoice
- (iv) Insurance policy/certificate
- (v) Certificate of origin
- (vi) Inspection certificate
- (vii) Consular invoice
- (viii) Packing list
- (ix) Quality control certificate
- (x) GSPI certificate
- (xi) Photo-sanitary certificate

At this stage the exporter submits documents for negotiation in order to get proceeds

4.2.2 Export Financing

An exporter requires finance at two stages namely

- (i) Pre shipment stage and
- (ii) Post shipment stage

Pre-Shipment Credit

Pre-shipment credit as the name suggests, is given to finance the activities of an exporter prior to real shipment of goods for export. The of such credit is to meet working capital requires starting from the point of purchasing of raw materials to transportation of goods for export to foreign country. Before allowing such credit to the exporter the bank takes into consideration the credit worthiness, export performance of the exporter, together with all other required information necessary for sanctioning the credit in accordance with the existing rules and regulations, pre-shipment credit is given for the following purposes:

- (i) Cash for local procurement and meeting related expenses
- (ii) Procuring and processing of goods for export

(iii) Packing and transporting of goods for export

(iv) Payment of insurance premium

(v) Inspection fees

(vi) Freight charges etc.

An exporter can obtain credit facilities against lien on the irrevocable, confirmed, unrestricted export letter of each.

(i) Export Cash Credit (hypothecation)

Under this arrangement, a credit is sanctioned against hypothecation of the raw materials and finished goods intended for export. Such facility is allowed to the 1st class exporter. As the bank has got no security in this case, except charge documents and lien of exports L/C contract, bank normally insist on the exporter on furnishing collateral security. The letter of hypothecation creates a charge against the merchandise in favor of the bank but neither the ownership nor the possession is passed on it.

(ii) Export Cash Credit (pledge)

Such credit facility is allowed against pledge of exportable final goods or raw materials. In this case, credit facilities are extended against pledge of goods and raw material to be stored in go-down under bank's control by signing letter of pledge and other pledge documents. The exporter surrenders the physical equity of the goods under bank's effective control as security for payment of bank dues. In the event of failure of the exporter to honor his commitment, the bank can sell the pledge merchandise for recovery of the advance.

(iii) Export Cash Credit against Trust Receipt

In this case, credit limit are sanctioned against trust receipt. In this case also unlike pledge, the exportable goods contain in the custody of the exporter. He is needed to execute a stamped export trust receipt in favor of the bank, he holds where in a declaration is made that goods purchased with financial assistance of bank in trust for the bank. This type of credit is granted when the exporter wants to materialize the credit for processing, packing and rendering the goods in exportable conditions and when it seems

that exportable goods cannot be taken into bank's custody. This facility is allowed only to the 1st class party and collateral security is generally contain in this case.

(iv) Packing Credit

In this case, credit facilities are extended against security of railway receipt or steamer receipt, barge receipt, truck receipt evidencing transportation of goods to the shipment of the goods and raw material in addition to the usual charge documents and lien of export letter of credit. This type of credit is sanctioned for the transitional period from dispatch of the goods till negotiation of the export documents and deed. The drawings under export cash credit (hypothecation/pledge) limit are generally adjusted by drawings in packing credit limit, which is in turn liquidated by negotiation of export form and documents.

(v) Back to Back Letter of Credit

Under this arrangement, the bank finance export business by opening a letter of credit on behalf of the exporter who has received a letter of credit from the overseas buyer but is not the real manufacturer or producer of the exportable goods. The letter of credit is opened on behalf of the actual producer or supplier within or outside the country. Since the second letter of credit is opened on the strength of and backed by another letter of credit, this is called back to back credit. The need for a back to back credit arises because the beneficiary of the original (export) letter of credit may have to procure the goods and others material from the actual producer who may not supply the goods unless its payment is guaranteed by the back in the form of letter of credit collateral security before opening the letter of credit. The back to back letter of credit should conform to the terms and conditions of the original letter of credit with the following excerptions.

- (i) That of the actual supplier shall substitut7e name of the original beneficiary
- (ii) The credit amount shall naturally be lower than that of the original letter of credit. The differences being the amount of profit the exporter expects to earn from the deal.
- (iii)The back to back letter of credit should be made valid for shipment and negotiation prior to expiry of the corresponding date.

(vi) Advance against Anticipatory Letter of Credit (red clause L/C)

Under red clause letter of credit, the opening bank authorizes the advising bank or negotiating bank to make advance to the beneficiary prior to shipment to enable him/her to procure the exportable goods in anticipation of his effecting the shipment and submitting a bill under the L/C as the clause containing such authority is printed or typed in red ink and in green ink on the top of the L/C is called red clause L/c.

The following documents and data are usually called for depending on the nature of the export credit facilities to be provided at the pre shipment stage.

- (i) Lien on confirmed/irrevocable and unrestricted letter of credit from a 1st class bank
- (ii) Letter of hypothecation duly stamped
- (iii) Letter of pledge duly stamped
- (iv) Detailed stock statement duly verified by bank officials
- (v) Insurance coverage under bank mortgage clause
- (vi) Letter of disclaimer to the signed by the owner of the go-down in case of rented go-down
- (vii) Documents of title of goods
- (viii) Trust receipt
- (ix) Export credit guarantee scheme
- (x) Export form duly signed by the exporter
- (xi) EPC/ERF duly certified by Bangladesh bank chance and other documents, if any

Post Shipment Credit

This type of credit refers to credit facilities extended to the exporters by commercial banks after shipment of the goods and raw against export documents. Necessity for such credit arises, as the exporter can not afford to wait for a long time for payment to regional manufacture/suppliers. Before expanding such credit, it is necessary to obtain

report on creditworthiness of the exporters and financial soundness of the buyers as well as other relevant documents connected with export in accordance with the rules and regulations in force. Banks in our country expand post shipment credit to the exporters through:

- (i) Negotiation of Documents under L/C
- (ii) Purchase of DP and AD Bills

Negotiation of Documents under L/C

Under this arrangement after the materials are shipped, the exporter submits the concerned documents to the negotiation bank for negotiation. The documents shall be negotiated strictly in accordance with the term and conditions and within the period mentioned in the letter of credit.

Purchase of DP and AD Bills

In this case, the banks purchase or discount the DP (documents against payment) and AD (documents against acceptance) bills at rate published by the exchange rate committee of authorized dealers. While doing so, the banks shall scrutinize all the export documents separately minutely and clear instructions are to be obtained from the drawer of the bill in regard to all important issues related to the negotiation of the bills.

4.2.3 Export Friendly Environment

To create export friendly environment different steps have been undertaken, resulting in various organizations and incentives around the sole objective to expedite the export business. Below are the major steps among others:

- (i) Export policy
- (ii) Promotional organs for export national committee for exports and export council
- (iii) Export promotion bureau
- (iv) Export incentive
- (v) Limit of export credit
- (vi) Export development fund

(vii) Export credit guarantee scheme

(viii) Other incentives

Export Policy

Export policy of Bangladesh is formulated by the ministry of commerce to provide the overall guideline and incentives for improvement of export. It has been dedicated to formulate this policy to coating a 5-year period to make them contemporaneous with the 5-year plans and to provide continuity height the policy regime. The existing export policy (1997-2002) has materialize from 1st July 1998 and remains in force till 30th June 2002. However, the policy is announced, if need. Government might review the policy once in every year and may take decision as deemed perfect. The policy is formulated with the following objectives:

- (i) To achieve higher growth rate of export by expanding export to regional and international markets.
- (ii) Reduction of trade deficit by achieving export goal.
- (iii) To assist production of export items competitive price to protect existing market and expand new markets.
- (iv) To make efforts for expanding new opportunities offered by the liberalization and globalization process in world economy.
- (v) To diversity and promotion the quality of exportable items.
- (vi) To increase value addition of exportable items by improving backward linkage industries and services.
- (vii) To simplify the export process and rationalize the incentive structure to exporters.
- (viii) To improve the export trades infrastructure and trained manpower.

National Committee for Export

Headed by the Prime Minister and comprising Ministers of Foreign Affairs, Finance, business, Industries, Planning, Jute and Textile. The committee will overview the export situation and provide necessary direction and resolved problems.

Export Council

Consultative body comprising of chambers, exporter's association and institutions of public sector of any country.

Export Promotion Bureau (EPB)

The main functions of EPB are-

- (i) Quota allocation for export of RMG
- (ii) Issuance of GSP certificate of the exporter
- (iii) Participation in international trade fairs
- (iv) Arrangement of fairs and exhibition both at home and abroad
- (v) Arrangement of training programs for boost up export

Export Incentives

To achieve the goal of the export policy several incentives and facilities have been made available to the exporters. Some of the incentives as offered are described below:

Convertibility of Taka

Taka has been made convertible in the current account from March 26, 1994 in lien with the policy of export-led growth in the liberalized world and regional market. Under this arrangement, exporters are getting following facilities:

- (i) Business travel quota for new exporter
- (ii) Exporters' retention quota
- (iii) International credit card

Fiscal Incentives

Duty draw back-exporters of manufactured products are named to draw back after the export is effected the amount of custom duty and sales tax already paid at the time of importing raw materials. Duty might be returned under any of the systems namely actual drawback, national drawback and flat rate drawback.

Duty Free Import of Capital Machinery

100% export oriented industries located elsewhere in the country is allowed to import capital equipment without paying any customs' duty and tax. Bonded warehouse facility has expanded towards all industries recognized as 100% export oriented industries. A bonded warehouse is a warehouse under customs' maintain. Imported raw materials are stored in the bonded warehouse without payment of duty and taxes on the 1st importation and subsequent exportation of finished goods.

Sale of Goods Rejected for Exportation

20% of the rejected goods of the 100% export oriented industries including leather goods and RMG will be admissible for sale in the local market subject to payment of usual duties and taxes.

Duty free Import of Raw Materials for Export Oriented Leather Industries

To encourage enhance in production in finished leather and export at competitive prices, customs duty and LCA fees livable on import of wet blue and pickled leather by export oriented leather industries will be exempted.

Income Tax Rebate on Export Earnings

50% rebate on taxable income generated from export earnings is exempted though incorporation of new provision of the income tax ordinance and law.

Cash Incentives

Government used to give cash benefit in lieu of bonded warehouse facility or duty drawback for export oriented domestic textile sector and readymade garment industries. At 25% compensatory assistance in cash is admissible, in case of imported inputs, if the duty drawback facility has not been utilized or if a garment cum manufacturer of fabrics

uses local raw materials and inputs. For this object domestic handloom sector is admissible to get 10% cash incentives. If the exporter is an intermediary buyer, the privilege will go to the original producer of the import. For quick disbursement of cash incentives to the exporter placement of fund in advance made by the BD Bank to the head office authorized dealer's bank. Cash incentive is also admissible against export of artificial and natural flower, quilt, leather goods and jute goods at the rate of 10%

Limit of Export Credit

Exporters might obtain export credit from the commercial banks up to 90% to the value of their irrevocable letter of credit. The commercial bank will charge no overdue interest. In case of export against irrevocable L/C on sight payment basis in such cases however the exporters will be need to submit necessary export documents within a specified time.

Export Development Fund

As per agreement among international development association and govt. of Bangladesh, export development fund in foreign exchange have been created in Bangladesh bank to finance import payment against import of raw materials of 100% export oriented industries on sight payment basis. An exporter is eligible to avail of EDF privilege on the basis of the following conditions:

- (i) He must be an exporter of non-traditional manufacturing goods
- (ii) The value added of these products can be 20% except in the case of garments where it has to be 30% and above
- (iii) The loan should be utilized in the case of importing raw materials for manufacturing the exportable products.\
- (iv) The exporter must have an export L/C
- (v) He must create a back to back L/C for importing raw materials
- (vi) The period of loans is 180 days
- (vii) The exporter can borrow as many times as they likes in a year
- (viii) The interest rates he pays is LIBOR+1%

- (ix) An exporter can borrow an amount not exceeding \$500000 in a single case but outstanding should not be over \$1000000
- (x) He has to have export credit insurance through E.C.G.S.

As for banker, the EDF allows a spread between 2.5% for the established exporter and 3.5% for the new exporter for every loan for the clients.

Export Credit Guarantee Scheme

The export credit guarantee department of Sadharan Bima Corporation provides guarantee to bankers and exporters against possible losses resulting from the advances given and against the overseas commercial and political and environmental risk respectively. Currently three types of guarantee e.g. the export finance guarantee (pre shipment), export finance guarantee (post shipment) and export payment risk policy (comprehensive guarantee) are available to the bankers, the third one is extending to directly exporter.

Other Incentives

- (i) Reduce airfreight for export of all crash program items including fruits and vegetables
- (ii) Special premium rebates are allowable on fire and marine insurance covers to export oriented industries of nontraditional items.
- (iii) Local raw materials and goods used as direct input for export products are regarded as deemed export a quality for all export incentives and benefits.

As mark of national recognition 45 national's trophies are awarded every year to the mostly outstanding exporters of 15 product sectors. The trophy winning exporters are given CIP.

4.3 Foreign Remittance

Foreign remittance refers remittance of foreign currency that is take in and made out abroad. In broad sense, foreign remittance includes purchase and sale of all freely convertible foreign bills and currencies on account of import export, TT and other object.

4.3.1 Types of Foreign Remittance

Foreign remittances are of two types-

- (i) Foreign inward remittance
- (ii) Foreign outward remittance

4.3.2 Modes of Foreign Inwards Remittance

TT, DD, TC, MT, are the common modes of foreign inward remittances. Besides, foreign inward remittance also includes remittances on account of export, purchase of bills, purchase of draft, purchase of TC, foreign currency notes and coins, cheque issued on foreign banks on behalf of beneficiaries in Bangladesh etc. Regional currency debit to nonresident taka account constitute inward remittance of foreign exchange.

TT

Cable or telex instructions of payment with a test number are called TT. Where a foreign bank issues a TT on behalf of someone in Bangladesh, it credits the amount, received from the remitter to the Nostro account of its correspondent bank. On receive of the TT the paying bank in Bangladesh will make payment of the proceeds of the TT in foreign currency or in equivalent Bangladeshi taka to the beneficiary. TT clean purchase rate will be applied for the payment of TT.

Demand Draft

A DD is an instrument in writing containing an order of the issuing bank on the drawee bank to pay a fixed amount to the payee or to his order. There are two method to handle DD/cheque to give value to the beneficiary:

1. Before realization of the proceeds of the instrument (foreign bank proceeds)
2. After realization of the proceeds of the instruments (collection)

Money Transfer

Money transfer is an process issued by a remitting bank to the paying bank advising in writing to make payment of certain amount to the specific beneficiary.

Travelers Cheque

It is an instrument issued by bank or financial institution payable to the purchaser on presentation after verifying purchaser's signature.

Purpose of Inward Remittance

Family maintenance, control, indenting commissions, recruiting agent's commission, realization of export proceeds, donation, gift etc.

4.3.3 Cancellation of Inward Remittance

If an inward remittance already reported to Bangladesh Bank is to be cancelled, not only in full but also partial, because of non-availability of the beneficiary, the ad must report the cancellation of the inward remittance as are outward remittances on TM form. The return in which the reversal of the transaction is reported must be supported by a letter giving (i) reference of the return in which the inward remittance was reported name and address of the beneficiary (iii) amount and reason of cancellation (iv) amount of purchase as effected originally.

4.3.4 Foreign Outward Remittance

All remittance from Bangladesh to foreign country i.e. foreign currency being made out abroad might be turned as foreign outward remittance. Most outward remittances are approved by the authorized dealers following the declaration of money as convertible for current account payments from March 1994. Bangladesh Bank's prior approval is required only for special cases.

4.3.5 Common Modes of Foreign Outward Remittance

Like foreign inward remittance, TT, DD, MT and TC are the general modes of foreign outward remittance. Authorized dealers in Bangladesh drawn on their correspondents might issue TT, DD, MT and TC. Selling foreign currency notes may also effect on outward remittance by as to travelers.

Besides, local currency credited to non-resident tk account of foreign banks or exchange taka accounts constitute outward foreign remittance. Outward foreign remittance also comprises remittance in account of import and private remittance on sundry items.

Purpose of Outward Remittance

Import bills, travels, treatment object, membership fees, fees for application, examination fees, registration fees, admission fees, tuition fees, haze, profit and dividend of foreign investment, insurance claim etc.

4.3.6 Cancellation of Outward Remittance

In the event of any remittance which has already been reported to Bangladesh Bank may be cancelled and payment may be made to the applicant by cancellation after analysis all existing formalities Bangladesh Bank should be reported about the cancellation of the outward remittance as inward remittance along with all related information.

4.3.7 Opening of Foreign Account

SBL open foreign account. Foreign account is used for receiving foreign money from abroad or for sending the money to abroad. It can be used on behalf of a person or in favor in export.

Following papers are need to open a foreign account.

- i. Exporter's foreign currency account opening form (application form, two signature cards duly filled out and signed with authenticated seal and introduction).
 - ii. Two copies of passport size photographs for each operation.
 - iii. Export registration certificate.
 - iv. Attested photocopy of the membership certificate of the concerned association as example BGMEA.
 - v. Export precedes realization certificate regarding the utilization of foreign money.
- In case of Limited Company following should be submitted.
- vi. Memorandum and Articles of Association of the company.
 - vii. Power of attorney.
 - viii. Resolution of incorporation.
 - ix. Certificate of commencement of business.
 - x. List of Directors
 - xi. Trade License.

CHAPTER 5

ANALYSIS AND INTERPRETATION

Foreign Exchange department of Sonali Bank has performed well in last five years where there has been significant growth in different segments of the Bank. Some general observations of the performance of last five years (2016-2020) of the bank are as follows

5.1 Income of Foreign Exchange of Sonali Bank Limited

Table 5.1: Income of Foreign Exchange of Sonali Bank Limited

(Figure in million except stated otherwise)

Year	2016	2017	2018	2019	2020
Total Income	70979	74353	78321	76810	84780

Source: Annual Report, 2016-2020

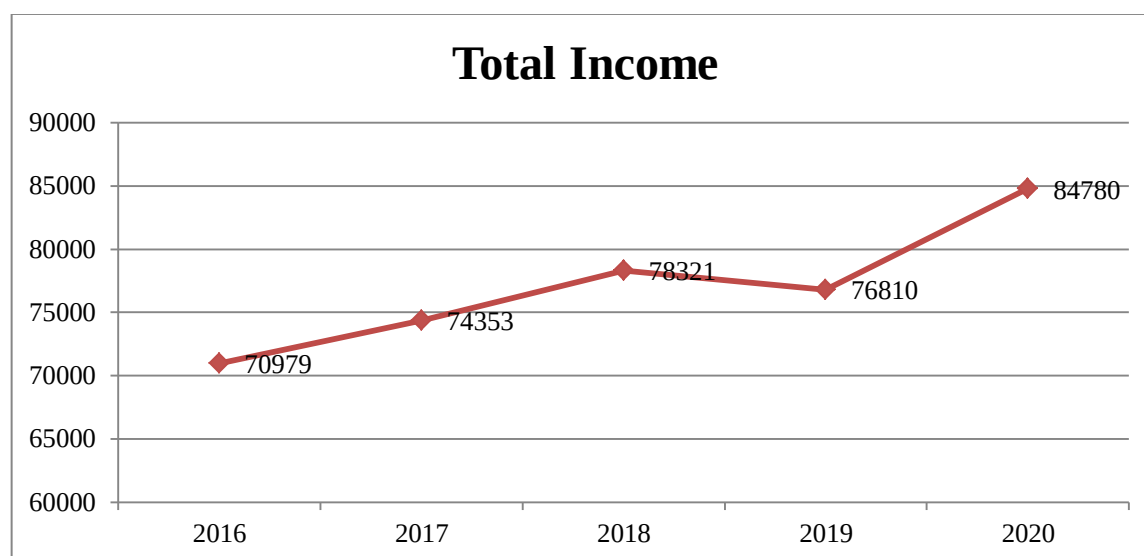


Fig. 5.1: Income of Foreign Exchange of Sonali Bank Limited

Comment

Total income of Foreign Exchange increased to Tk. 84780 in 2020 from Tk. 70979 in 2016. Some other state banks and financial institution which had been suffering from fund crisis in 2018-2020 because of loan scams—also borrowed money from Sonali, It recovered around Tk 3,770 crore from defaulters in 2018, up from Tk 1,091 crore a year

ago. The bank managed to earn a significant amount from the large borrowers, including Beximco Group. That why sonali bank foreign exchange income increasing day by day.

5.2 Growth in Net Profit

Table 5.2: Growth Net Profit of Sonali Bank Limited

Year	2016	2017	2018	2019	2020
Net Profit (Taka in Million)	152	7092	2264	2710	3234

Source: Annual Report, 2016-2020

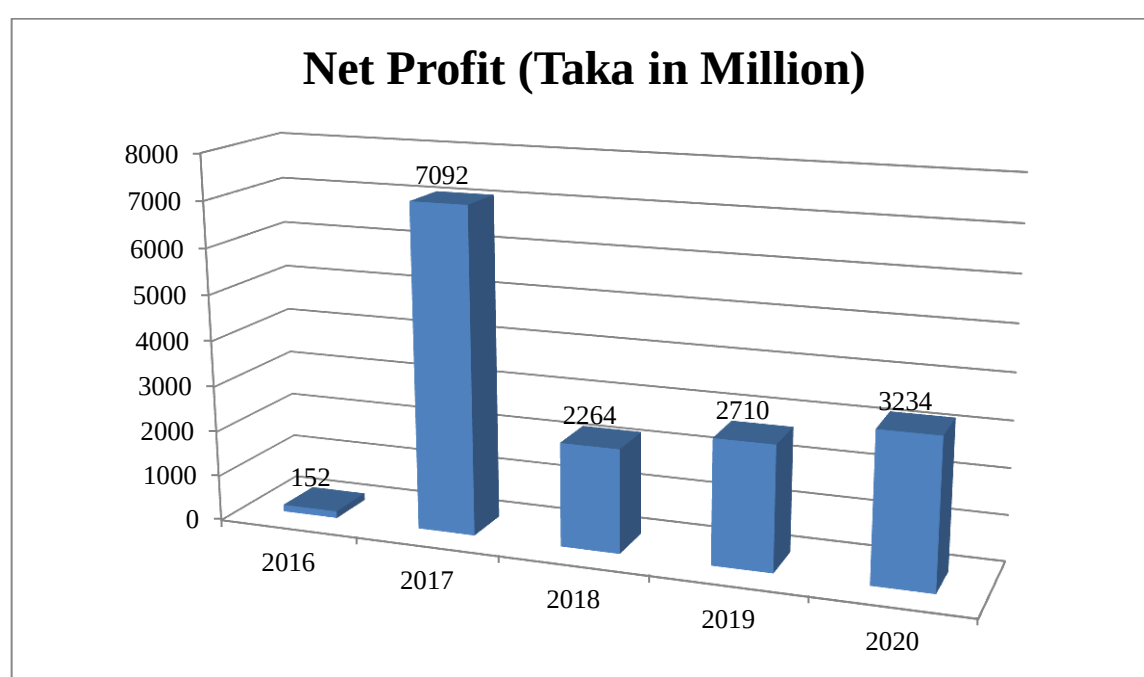


Fig. 5.2: Growth Net Profit of Sonali Bank Limited

Comment

Sonali Bank Limited increased operating efficiency and increased profit both are the reason behind the growth in net profit. Sonali Bank logged the highest net income in seven years thanks to its deposits with different banks and massive drives to recover funds from loan defaulters. The state-owned financial institution's net revenue rose 41.60 percent year-on-year to Tk 1,000 crore in 2018, according to Bangladesh Bank data. Of the total profit, more than forty percent came from the investment in short-term deposits with different bank. "The massive recovery drive aimed at loan defaulters also helped the bank improve the financial health. The liquidity crunch in private banks

throughout 2017 opened up the opportunity for cash-rich Sonali to make some profits from the money market. the bank had an investment of more than Tk 53,000 crore in the market as of December. “So the bank went for depositing its funds instead of expanding its lending activities.” Companies that operate in the global marketplace should be prepared

5.3 Return on Assets (ROA)

Table 5.3: Return on Asset of Sonali Bank Limited

Year	2016	2017	2018	2019	2020
Net Income	152	7092	2264	2710	3234
Total Asset	1200589	1256712	1306842	1472601	1591234
ROA	0.14%	0.58%	0.18%	0.20%	0.21%

Source: Annual Report, 2016-2020

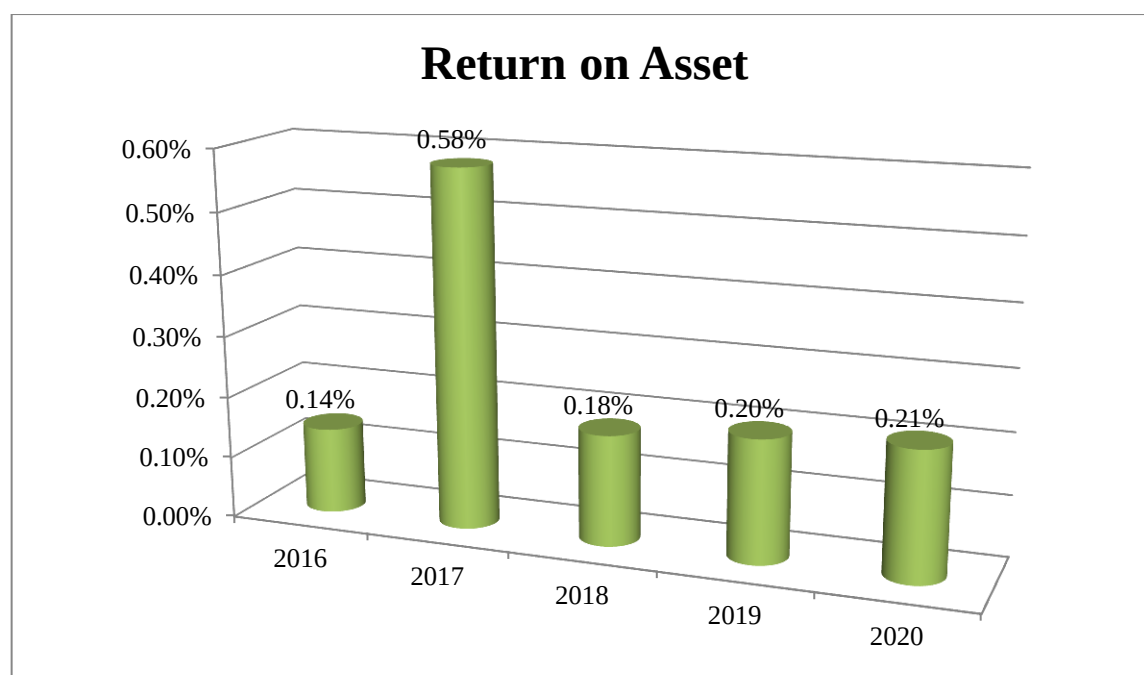


Fig. 5.3: Return on Asset of Sonali Bank Limited

Comment:

Return on assets (ROA) is measured by the ratio of net income and total assets. By the returning assets, if the bank's net income increases the profitable ratios of the bank increases. Also by measuring the ROA, it can be determined that what percentage of the total asset is the net income i.e. how much return are they getting over the assets. Sonali

Bank Limited is giving continued emphasis on quality assets, which resulted in providing a sound asset base for the bank. Sonali Bank Limited increased operating efficiency and increased return on assets both are the reason behind the growth in return on assets.

5.4 Export

Table 5.4: Export of Sonali Bank Limited

Year	2016	2017	2018	2019	2020
Total Export (million)	45432	36882	28495	25160.00	25670.00

Source: Annual Report, 2016-2020

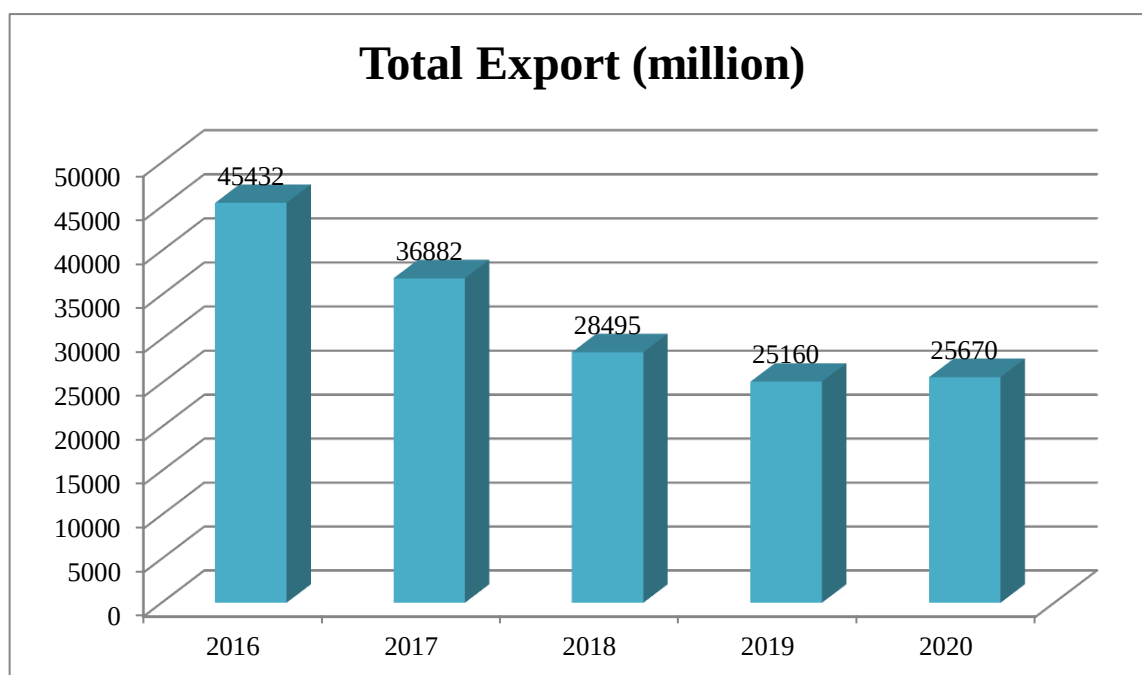


Fig. 5.4: Export of Sonali Bank Limited

Comment:

Export volume FY 2020 of the bank reached Tk. 25670 million which is 1.98% more than that of FY 2019. Major export items involved with the bank's foreign trade activities were readymade garments and non-traditional items.

5.5 Import

Table 5.5: Import of Sonali Bank Limited

Year	2016	2017	2018	2019	2020
Total Import (million)	200598	134328	1155301	165550.00	255970.00

Source: Annual Report, 2016-2020

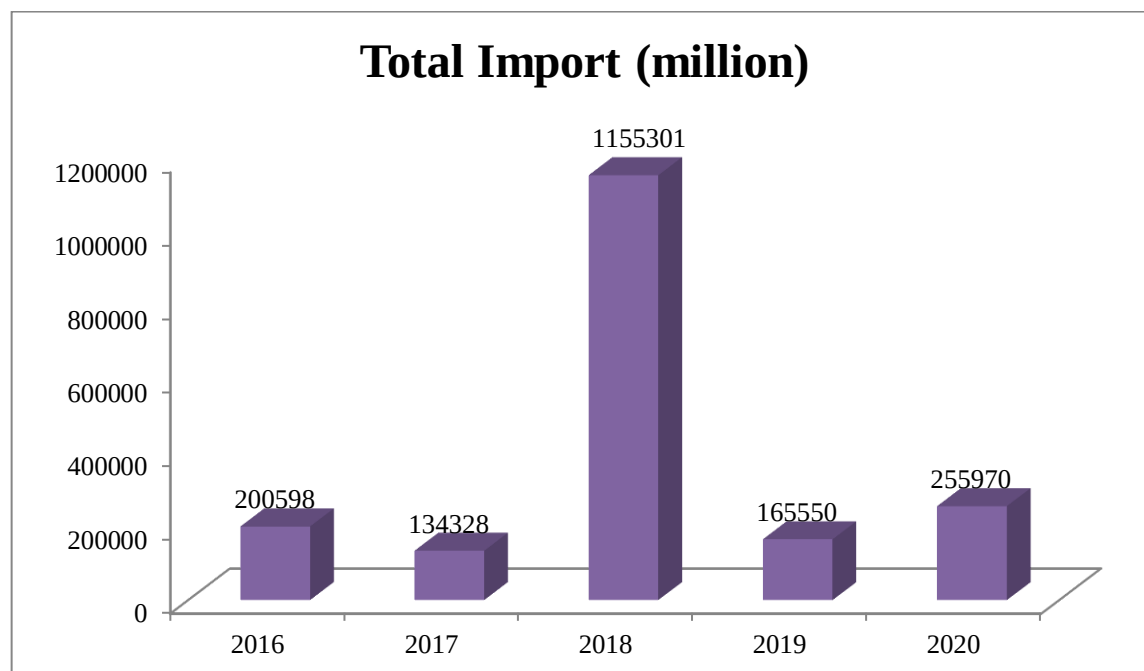


Fig. 5.5: Import of Sonali Bank Limited

Comment:

In FY 2020 Import business of the bank has stood Tk 255970 million which is 54% increased than that of FY 2019. Import remained confined mainly to consumer goods, food grains, industrial raw materials, fabrics and accessories of garments industries etc.

5.6 Foreign Remittance

Table 5.6: Foreign Remittance of Sonali Bank Limited

Year	2016	2017	2018	2019	2020
Foreign remittance (million)	147655	129601	257020	111483	129056

Source: Annual Report, 2016-2020

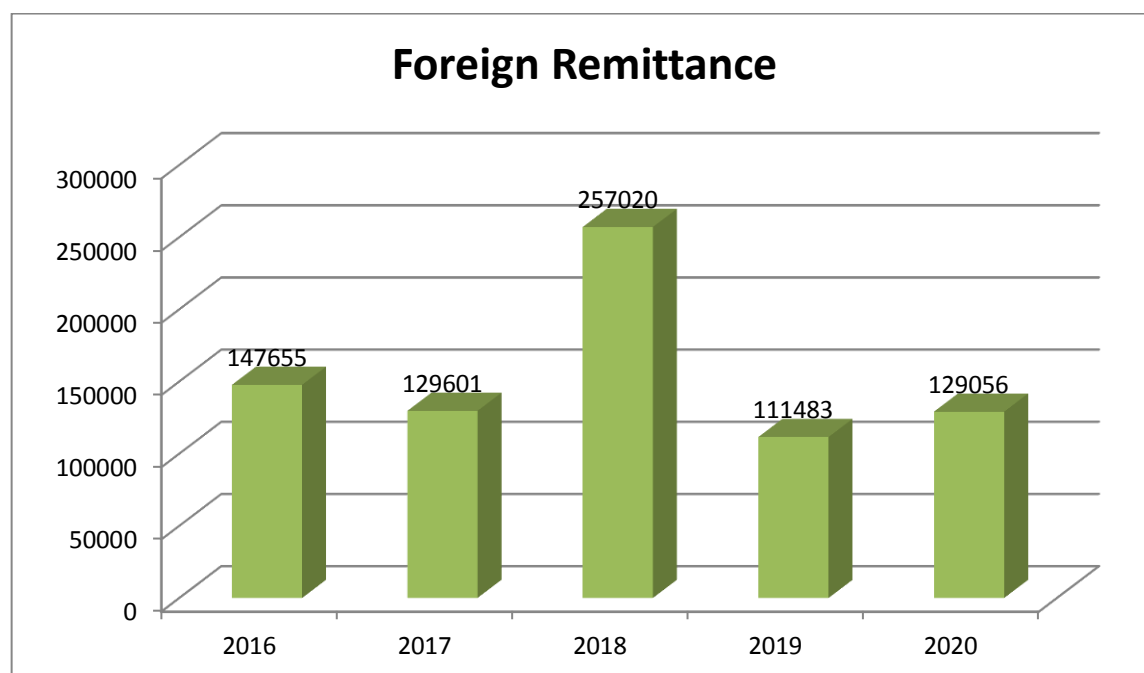


Fig. 5.6: Foreign Remittance of Sonali Bank Limited

Comment:

During the year 2019, the inflow of inward foreign remittance was TK. 111483 Million whereas in 2020 the amount was TK. 129056 Million which is TK. 17573 Million more than the previous year.

CHAPTER 6

FINDINGS AND SUGGESTIONS

6.1 Findings

Sonali Bank is playing an important role toward the growth and economic development of Bangladesh. The study mainly focuses on the “Foreign Exchange Operations” of sonali bank analyzing the financial and overall performance of SBL, I have identified somesort of issues which are given in below.

- i. In 2016, the export Business of Sonali bank was Tk.45432 million. It decrease in 2017 which was Tk.36882 million. But gradually it decreased significantly in 2019 it is the lowest, which is Tk.25670. Export volume of the bank reached Tk. 25670 million which is 1.98% more than that of FY 2019. 100% L/C margin is a must for perishable goods and 10%-50% for non-perishable goods depending upon the relationship between customer and bank.
- ii. In 2016, import Business of Sonali bank was Tk.200598. According to the chart it shows that the import business of Sonali Bank Ltd is growing significantly which come to a boost in the year 2018(Tk.1155301)on the contrary of the previous years.
- iii. According to the chart of Foreign Remittance of the bank it shows that in 2018 the foreign remittance is the highest which was Tk.257020 million. On the other hand the Lowest is Tk.111483 which is in 2019. During the year 2019, the inflow of inward foreign remittance was TK. 111483 Million whereas in 2020 the amount was TK. 129056 Million which is TK. 17573 Million more than the previous year.
- iv. There is a lack of effective database system in foreign exchange activities of Sonali Bank
- v. Letter of Credit (L/C) opening system for the importer is not so much easier.L/C opening system is time consuming & costly.
- vi. Sonali Bank Limited provides assistance in relation with foreign exchange to the small scale industries entrepreneur.
- vii. Rebate system is practiced. That is, the bank 1st charges profit for the whole year at the beginning on the amount the bank has already sanctioned but adjusts later only charging for as many days as the loan is used and refunds the rest.

6.2 Suggestions

Sonali Bank Ltd should developed the standard of their foreign exchange transection although its current foreign exchange transection are moderately well as compared with other banks within the industry. This bank follows the basic rules and regulation in formulating their exchange process, Training and development of foreign exchange, and secure the sound foreign exchange operations of the bank.

- i. The Bank should develop an effective database needed for analyzing Foreign Exchange Business.
- ii. The Bank should develop their import & foreign remittance sector and continue their improvement in the export sector too.
- iii. Letter of Credit (L/C) opening system for the importer should be easier.
- iv. Research & Development activities should be taken into consideration.
- v. Effective strategies must be undertaken against defaulters.
- vi. More employees are to recruit. For the better service, training is must and according to the skill and education background of employee needs to be positioned.
- vii. The Bank should introduce reward system for good borrowers as well as punishment for bad borrowers.
- viii. The Bank should apply modernized Marketing Information System.

CHAPTER 7

CONCLUSION, POLICY IMPLICATION AND FUTURE WORKS

7.1 Conclusion

Banking arena in recent time is one of the most competitive business fields in Bangladesh. As Bangladesh is a developing country, a strong banking sector can change the socio economic structure of the country. So we can say, the whole economy of the country is linked up with its banking system. There are 63 banks in Bangladesh in which 54 are indigenous commercial Banks. Sonali Bank is the largest nationalized commercial Bank of Bangladesh. This bank performs hundreds of important activities both for the public and for the government as a whole. It has an outstanding bearing to thrive our business sector. It has strong performance on General Banking, Loans & Advances, Industrial credit and foreign Exchange. I had the privilege to learn many things from the Dinajpur Branch through my active involvement in this branch.

In this paper I have tried to highlight Foreign Exchange Business of Sonali Bank. Its pioneer role in handling foreign trade and foreign exchange transactions ever before independence of the country still remains unchallenged. With wide network of branches at home and also a large number of correspondent banks worldwide it is singularly handling the largest volume of export-import business including homebound remittances.

The effective and efficient Foreign Exchange Business of the Bank helps in the continuous growth and progress of national economy.

7.2 Policy Implication

Bank that operate in the global marketplace should be prepared for the inevitable risks associated with fluctuations in foreign exchange rates such as cost competitiveness, profitability and valuation of a company's international operations. Sonali bank can provide a suite of bespoke market risk solutions – forwards, options, non-deliverable forwards and foreign currency accounts – which can help mitigate the exposure that fluctuations in foreign exchange rates create, and can help mitigate economic risk.

However, before sonali bank outline a hedging plan they should consider creating a formal, auditable policy that sets a framework for the management of their international exposures. This process will help bank formalise Their corporate goals, performance

measurement, risk tolerance and governance and provides an approved basis to examine the accounting and cash flow implications to their business.

7.3 Future Works

- i. Identify data gaps.
- ii. Collect more data for study.
- iii. Take more time for study.
- iv. In future we can taken more variables

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