

Report On
“ The Maintenance and Impact of CRR and SLR in Treasury: An
Empirical Study on Bangladesh Finance Limited “

By

Radwan Ahamed
18304063

An internship report submitted to BRAC Business School in partial fulfillment of the
requirements for the degree of
Bachelor of Business Administration

BRAC Business School
BRAC University
August, 2023

© [2023]. Brac University
All rights reserve

Declaration

It is hereby declared that

1. The internship report submitted is my/our own original work while completing degree at Brac University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

Student's Full Name & Signature:

Radwan Ahamed
18304063

Supervisor's Full Name & Signature:

Dr. Md. Kausar Alam
Assistant Professor
BBS Department, Brac University

Letter of Transmittal

27th August 2023

Dr.Md. Kausar Alam

Assistant Professor

BRAC Business School

BRAC University

66 Mohakhali, Dhaka-1212

Subject: Submission of internship report on “The Maintenance and Impact of CRR and SLR in Treasury: An Empirical Study on Bangladesh Finance Limited.”

Dear Sir,

It is a great pleasure for me to present the internship report on “Critical Analysis of the Impact and Maintenance of CRR and SLR in Treasury: An Empirical Study on Bangladesh Finance Limited” under the Head Office of Bangladesh Finance Limited.

I have tried my level best to follow your guidelines in every aspect of the planning of this report. I am honestly thankful for your guidance during the preparation of this draft of the report. I hope you will appreciate my effort. I have done the study in a complete form, and I have tried my level best to conduct this in a professional manner.

I am extremely grateful to you for your guidance and kind operation on this report. I would be grateful if you kindly go through my report and evaluate my performance considering the limitations of the study.

Yours sincerely,

Radwan Ahamed 18304063

BRAC Business School

BRAC University

Date: 2nd September , 2023

Acknowledgement

At the very beginning, I would like to thank the Almighty Allah for all His blessings that helped me to complete this report successfully.

I would also like to thank everyone who kindly provided me with information and guided me in making this report. I would like to thank The BBS Department and all the faculties and mentors for enlightening me for 4 years of my bachelor's in business administration.

Firstly, I would like to show my gratitude towards the almighty Allah for all the great things in life and blessings. After that, I am really grateful to my parents for providing me with such privilege over the years and also for their frequent support.

Secondly, I am thankful to my internship supervisor Dr. Md. Kausar Alam, Assistant professor of BRAC Business school, BRAC University, for all the guidance he has provided me. I, also thankful to my co supervisor Dr. Md. Mizanur Rahman, Assistant Professor at BRAC Business School, for the support he has provided. My supervisor has always responded, to my queries and supported me all the time.

Finally, I would like to express my special thanks to my family members and friends who supported me during my internship.

Executive Summary

Statutory liquidity reserve (SLR) and Cash reserve requirement (CRR) are monetary tools that have helped reduce inflation for many years by positively impacting bank credit and investment. All scheduled banks are bound to keep a minimum reserve in cash with the central bank which is termed as Cash Reserve requirement (CRR). On the other hand, the reserves of a bank invested in government securities like treasury bills and treasury bonds are termed Statutory liquidity reserve (SLR). CRR and SLR are mostly used during inequality created by major financial setbacks. Banks are supposed to sustain sufficient liquidity at a rational cost.

The aim of the study is to determine the impact of CRR and SLR on Treasury. The in-depth analysis determines if the financial ratios suggest an enhanced and efficient operation at Bangladesh Finance Limited. Furthermore, the information assembled for the investigation is auxiliary and taken from the monetary reports of Bangladesh Finance Ltd.

The findings show a strong positive correlation between Treasury and CRR. Also, a positive correlation between SLR and Treasury is seen.

Table of Contents

<u>Declaration</u>	14
<u>Letter of Transmittal</u>	15
<u>Non-Disclosure Agreement</u>	Error! Bookmark not defined.
<u>Executive Summary</u>	17
<u>Table of Contents</u>	18
<u>List of Tables</u>	19
<u>List of Figures</u>	Error! Bookmark not defined.
<u>List of Acronyms</u>	Error! Bookmark not defined.
<u>Glossary</u>	Error! Bookmark not defined.
<u>Chapter 1 Introduction</u>	13
<u>1.1 Background</u>	Error! Bookmark not defined. 3
<u>1.2 Purpose</u>	15
<u>1.3 Data Collection</u>	16
1.4 Scope.....	16
<u>Chapter 2 Brief History</u>	18
2.1.1 Introduction of the organization.....	19
2.1.2 Policy of the organization.....	20
2.1.3 Competitors.....	22
2.1.4 Organizational Hierarchy chart.....	25
2.1.5 Number of Employees.....	26
2.1.6 Main Offices.....	26
2.1.7 Introduction of all the departments.....	26
2.1.8 Comments on the organizational structure.....	27
<u>Chapter 3 Internship Duties & Responsibilities</u>	28
3.1 Brief introduction of the branch.....	28
3.2 Duration and department of the internship.....	28

3.3	Description of the tasks undertaken by the department.....	28
3.4	Description of the tasks assigned to me.....	29

Chapter 4 Experiences from the internship program31

4.1	Assigned departments.....	31
4.2	Activities Performed.....	31
4.3	Primary Tasks.....	31
4.4	Secondary Tasks.....	32
4.5	Overall Experience.....	34

Chapter 5 Methodologies..... 35

5.1	Design.....	35
5.2	Sample.....	35
5.3	Instruments.....	35
5.4	Correlation Matrix.....	35
5.5	Multiple Linear Regression.....	37
5.6	Theoretical Background.....	37

Chapter 6 Analysis..... Error! Bookmark not defined.

6.1	Linearity Test.....	41
-----	---------------------	----

Chapter 7 Conclusion43

References.....44

Appendix A.....48

List of Tables

[Table 1: Training set Batting First](#)..... **Error! Bookmark not defined.**

List of Acronyms

ADR	Advances to Deposits Ratio
AML	Anti-Money Laundering
ATM	Automated Teller Machine
BB	Bangladesh Bank
BCBS	The Basel Committee on Banking Supervision
BEFTN	Bangladesh Electronic Fund Transfer Network
CAR	Capital adequacy ratio
CFT	Combating the Financing of Terrorism
CniB	Corporate & Institutional Banking
CSE	Chittagong Stock Exchange
DER	Debt-to-equity ratio
DSE	Dhaka Stock Exchange
E-TIN	Electronic Taxpayer's Identification Number
GDP	Gross Domestic Product
MSME	Micro, Small, and Medium Enterprises
NID	National Identity Card
NIM	Net interest margin
NPL	Non-Performing Loans
NRB	Non-Resident Bangladeshi
PBL	Prime Bank Limited
ROA	Return on asset
RTGS	Real Time Gross Settlements

Chapter One: Introduction

1.1 Background

The requirement for statutory liquidity (SLR) is a monetary policy tool whose reduction has positively impacted bank credit and investment, especially before the 1990s. Recently, various changes in the SLR and the Cash Reserve Requirement (CRR) have helped reduce inflation over the years. Bangladesh Bank has been using open market operations (OMOs) since the 1990s, leading to Bank Levels and SLR changes as monetary policy instruments in line with its market-focused approach. In recent years, it has been noted that Bangladesh relies more heavily on the money market as a transfer route than on changes in reserve needs. The CRR and SLR of organized banks are rarely used without the inequality created by major setbacks and shocks. SLR can effectively achieve the desired results with proper adjustment to other indirect monetary policy.

All scheduled banks are obliged to keep a minimum reserve in cash with the central bank (Bangladesh Bank), known as the Cash Reserve Requirement (CRR), as well as a reserve in government assets like as treasury bills and treasury bonds, known as the Statutory Liquidity Reserve (SLR). Every scheduled bank in our nation is required to maintain CRR and SLR on the bank's total deposit amount with the central bank. Now, the CRR for both conventional and Islamic bank is 5.00 percent, while the SLR is 13.00 percent for conventional banks and 5.50 percent for Islamic banks. Depository and FI Operations assumes an indispensable part in this unique situation. SLR represents Statutory Liquidity Reserve, which is keeping up with 19% of bank's Average Total Demand and Time Liability with Central Bank. Its method for every 100 Taka store from clients we need to keep 19 Taka as SLR and we need to keep up with it by blending different portfolio instruments following Central bank orders. Of 19% SLR

prerequisite, 5.5% is CRR or Cash Reserve Ratio for day-to-day necessity and 6% normal for fortnightly compulsory prerequisite. SLR can be kept up with Treasury Bills, Treasury Bonds, Foreign Currency Balance with the Central Bank, Cash balance close by, Cash offset with Sonali Bank - a specialist of Central Bank and CRR is kept up with cash offset with the Central Bank. SLR has a direct relationship with Asset Liability Management (ALM) of Bank

ALM screens, gauges and deals with the dangers related with asset report and gatekeeper the bank against any unanticipated misfortune or danger of endurance.

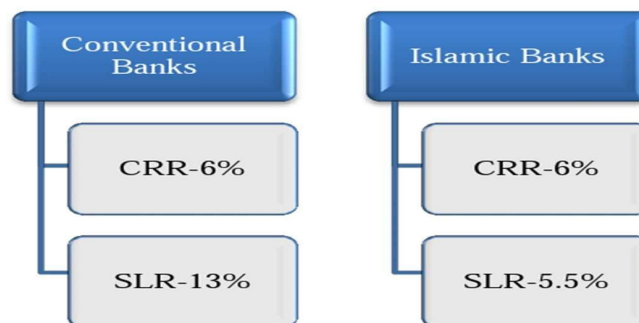


Figure 1: CRR and SLR for banking system

When the central bank raises the average reserve requirement of the commercial banks, this will create a reserve deficiency or decrease in the available reserve of depository institutions. When the banks are unable to secure new reserves, they would be forced to contract both earnings and deposits, resulting in a decline in the availability of credit and an increase in the market interest rates, and vice versa will happen when the central bank lowers its reserve requirements. Based on the Bangladesh Bank Order 1972, Bangladesh Bank formulated and implemented monetary policy. It provides the Bangladesh Bank with the responsibility of achieving monetary stability (domestic price and exchange rate stability)

liquidity ratios (SLR), directed credit, and administered interest rates. The indirect instruments generally operate through repurchase (repo) and reverse repo and outright transactions in government securities (open market operations). Throughout the 1970s and 1980s, selective and quantitative control measures were widely used in Bangladesh to provide adequate credit to state-owned enterprises (SOEs) and other priority sectors to achieve economic reconstruction and other development objectives. If the central bank raises average reserve requirement of the commercial banks, this will create a reserve deficiency or decrease in available reserve of depository institutions (Younus & Akhtar, 1990).

Organization of the Report

This study is structured into chapters and has seven chapters in all.

- Chapter one covers the introduction.
- Chapter two covers the overview of the organization
- Chapter three is internship duties and responsibilities.
- Chapter four deals with learnings or experiences from internship program.
- Chapter five represents methodologies.
- Chapter six provides analyses of particular side of the company or self-evaluation.
- Lastly, chapter seven represents conclusion, limitation, and recommendation

1.2 Purpose

The study's goal is to determine the significance of the independent variables, which are the Cash Reserve Ratio and Statutory Liquidity Ratio on the dependent variable, which is the Treasury. The study will be led by a Multiple Linear Regression after performing diagnostic tests to determine Normality, Correlation and Multicollinearity. The investigation seeks to determine if the financial ratios suggest an enhanced and efficient operation at Bangladesh Finance Limited, as well as whether factors are more important

for the firm's operational efficiency. SPSS is used to do multiple linear regression, and Microsoft Excel is utilized to produce a visual representation of the analysis. To grow ceaselessly as a developed national save money with equipped and submitted experts of high moral norms, leading money

related administration and monetary area management to keep up with cost solidness and monetary framework vigor, supporting fast wide based comprehensive monetary development, work age and destitution annihilation in Bangladesh. The investigation plans to find assuming that the monetary proportions show an improved and effective activity at Bangladesh Finance Ltd. and which factors are more critical for the functional proficiency at the firm. The different Linear Regression is finished with SPSS, Microsoft. Dominate is utilized to give visual show of the investigation.

1.1 Data Collection

This is a quantitative investigation into nature. To comprehend the conclusions, the analysis requires numerical data. As a result, the data used in the research is secondary and derived from Bangladesh Finance Limited's financial reports. All secondary data is properly referenced with suitable references. This is a quantitative report in nature. The examination requires mathematical information to decipher the discoveries. Consequently, the information assembled for the investigation is auxiliary and taken from MMR reports of Bangladesh Finance Ltd. The essential information is gathered by working with them. Abstract information from different examination papers, sites, news stories, books and authoritative reports are taken to help the discoveries, and to direct the investigation. All the auxiliary information is legitimately referred to with suitable reference.

1.1 Scope

This study attempted to present theoretical, methodological, and practical contributions in its entirety. The analysis will give practitioners a better understanding of the CRR and SLR's effect on the treasury. Therefore, this study majorly focused on the impact of CRR and SLR on the treasury for the last 5 years which will give a clear idea how it impacts the company's treasury. The analysis works to investigate to determine the significance of the independent variables, which are the Cash Reserve Ratio and Statutory Liquidity Ratio on the dependent variable, which is the Treasury. Bangladesh Bank keeps up with the unfamiliar trade hold of the country in various monetary standards to limit the gamble rising up out of far-

reaching vacillation in swapping scale of significant monetary standards and exceptionally sporadic development in loan fees in the worldwide currency market.

BB has laid out Nostro account game plans with various Central Banks. Reserves amassed in these records are put resources into Treasury bills, repos and other government papers in the individual monetary forms.

It likewise makes interest as present moment stores with various high appraised and rumored business banks and acquisition of high evaluated sovereign/supranational/corporate securities.

Chapter Two: Overview of the Organization

2.1 Brief History

Bangladesh Finance Limited (Bangladesh Finance), formerly known as BD Finance, is one of Bangladesh's most well-known financial institutions, serving the people of Bangladesh since 1999.

Bangladesh Bank granted the company a license in December 1999, and it began commercial operations on February 15, 2000. Bangladesh Finance Limited went public on June 10, 2007 and was listed in August and September of same year on the Chattagram Stock Exchange and the Dhaka Stock Exchange, respectively. In January 2020, BD Finance established its first mutual fund. Bangladesh Finance Limited has won the 2019 international finance award. (At a glance, 2022).

In Bangladesh, business banks go about as a significant driver of the economy as well as taking care of general monetary requirements of individuals. Versatile banking is an assistance given by a bank or monetary establishment that permits clients to get to their records remotely utilizing a cell phone or tablet, as well as programming or Unstructured Supplementary Services Information. It empowers people to get monetary administrations with less trouble while too helps banks and monetary associations in bringing down their managerial costs. To decrease their functional costs, business banks have needed to put resources into innovation furthermore, team up with portable specialist co-ops to foster versatile banking. Past research by the creators shows that the development of Fintech, for example, MFS, prompts further developed benefit, monetary advancement, and hazard control for business banks (Wang and Sui, 2020). Generally speaking, business banks can work on their conventional business model by utilizing monetary innovation to diminish bank working expenses, get to the next level administration proficiency, reinforce risk control abilities, and make improved client.

2.1.9 Introduction of the organization

Bangladesh Finance Limited, the 21-year-old corporation expects even more spectacular changes in the coming days. The path towards becoming the country's most known financial institution began with a stronger credit rating, a solid customer deposit base, bond and international capital raising, approval to open an Islamic wing, and continually keeping a low NPL rate.

Bangladesh Finance, in collaboration with its two subsidiaries Bangladesh Finance Securities Limited (Bangladesh Finance Security) and Bangladesh Finance Capital Limited, is now on a mission to provide a comprehensive financial solution all throughout country (Bangladesh Finance Investment).

Bangladesh Finance stands ready to join this country as it accelerates along the path of economic prosperity in a never-ending succession of triumphs. They seek to be the Bangladeshi people's financial partner. They trust in the holistic picture of the country's economic development as they continue their road to a vibrant Bangladesh.

They've taken a significant stride ahead with the new logo. The three pillars of trust, growth, and prosperity are the foundations of their mnemonic "BIJOY."

VISION: To be the most creative supplier of financial services in the country, with a specific emphasis on producing value for all stakeholders. Whenever banks need greater liquidity, they give less liquidity to the market. This is an essential connection among bank and liquidity. Having more fluid resources diminishes banks liquidity risk. Holding abundance liquidity resources is viewed as liquidity pad or cradle which helps the banks to meet abundance liquidity needs when liquidity pressure increments. Whenever a bank keeps a liquidity support, it can't make that much liquidity in the market which it would be able without keeping up with liquidity cradle in typical times. Then again, in the hour of emergency this liquidity cradle is huge for banks liquidity creation in light of the fact that different banks will be incapable to loan around then. However, bank's goal is to augment benefits, they are worried about banks liquidity and security.

part concerning liquidity by making liquidity for the market.

MISSION: To make their financial services available to a broader segment of the population as part of their commitment to inclusive, sustainable, and high-quality growth.

CORE VALUES: Integrity, customer commitment, innovation, commitment, shareholders value, teamwork, diversity. (MISSION, VISION AND VALUES, 2022)

2.1.10 Policy of the organization

Our Code of Conduct is driven by the ethical values that we nurture in all our endeavors. In principle, following norms are ingrained in us:

- **Core Values:**

Integrity: Uphold the highest standards of integrity in all our actions.

Shareholders Value: Creation and maximization of values for our shareholders.

Customer Commitment: We develop relationship that makes a positive difference in our customers' lives.

Teamwork: We work together, across boundaries, to meet the needs of our customers and to help our company to win.

Innovation: Spurring innovation for reinforcement of our business. Origination and materialization of change management for the attainment of perfection and we believe change is always constant.

Diversity: We know it takes people with different ideas, strengths, interests and cultural backgrounds to make our company succeed. We encourage healthy debate and differences of opinion.

Commitment: We always keep high on the agenda of our commitment towards valued depositors as their trustworthy custodian and to maintain the same spirit for all other stakeholders.

- **Job Grade Category:**

A. Management Cadre: The Management cadre shall consist of the following posts:

1. Managing Director and Chief Executive Officer (MD & CEO)
2. Additional Managing Director (AMD)
3. Deputy Managing Director (DMD)
4. Senior Executive Vice President (SEVP)
5. Executive Vice President (EVP)
6. Senior Vice President (SVP)
7. Vice President (VP)
8. Senior Assistant Vice President (SAVP)
9. Assistant Vice President (AVP)
10. First Assistant Vice President (FAVP)
11. Senior Manager (SM)
12. Manager (M)
13. Senior Executive Officer (SEO)
14. Executive Officer (EO)
15. Senior Officer (SO)
16. Officer (O)
17. Officer Grade-I (OG-I)
18. Trainee Officer (TO)

Figure 02: Job Grades of Bangladesh Finance Ltd.

- **Performance Evaluation Guideline**

The performance appraisal (PA) process is a measure to align the objective of an employee with that of the organization in a given performance year. PA will allow feedback sessions between employee (N) and line manager (N+1) to make sure that employees remain on the right track and year-end evaluation is measurable and effective.

The Appraisal process has 2 (two) phases:

1. KPI setting at the beginning of performance year
2. Year-end review

Also, the mid-year review can be conducted based on management decisions.

- **Professional Degree support**

Employees pursuing professional certifications programs should be encouraged to do so. The company will provide 40% funding for program registration/enrollment and 100% funding for per level of Exam Registration fee subject to successful qualification for each level/course.

In lieu of accessing this facility, employees have to serve the company for at least two (02) years after successful completion of each part of the course (if any). The commitment of serving the company for two years will continue simultaneously for the completion of each part of the course.

2.1.11 Competitors

IDLC Finance

IDLC Finance started back in 1985 with 5 staff members, 35 years down the line, emerged as the largest multi-product multi-segment Non-Banking Financial Institution in the country. As one of the most respected financial brands in the industry, IDLC Finance Limited holds a strong and diversified footing in Corporate, SME, Retail, and Capital Market segments.

Today, IDLC is over 20 cities, consisting of 40 branches and booths with over 1400 employees, serving over 45,000 clients. IDLC financing choice in any venture is dependent upon legitimate speculation risk examination. As a way towards feasible financing, the gamble appraisal measures incorporate natural factors, for example, negative ecological effect coming about because of venture tasks, as well as friendly contemplations, for example, work environment climate, utilization of youngster work, constrained work and so forth We guarantee assurance of common liberties and work privileges through straightforward enlistment and execution evaluation process, non-prejudicial treatment of our representatives concerning age, orientation, religion, nationality and so forth, as well as giving our female representatives extraordinary contemplations as far as reasonable workhours, maternity leaves and so on We attempt to diminish our carbon impression by restricting interest in contaminating businesses, yet in addition by changing our inward practices.

IPDC Finance

IPDC Finance Limited is the first private sector financial institution of the country established in 1981 by a distinguished group of shareholders namely International Finance Corporation (IFC), USA, German Investment and Development Company (DEG), Germany, The Aga Khan Fund for Economic Development (AKFED), Switzerland, Commonwealth Development Corporation (CDC), UK and the Government of Bangladesh. There are 15 branches and 849 employees working here. As of 31st December 2021, they have 17,534 customers and loan portfolio of 65.3 billion taka and deposit portfolio of 60/4 billion. Since its origin IPDC plays had a critical impact in agricultural nation's modern scene. We had been accomplice to a large number of the exceptionally eminent corporate houses in Bangladesh in their brooding stage. No other monetary organization of the nation has assumed such a critical part in private area improvement of the country. IPDC has been an accomplice in various achievement projects that were the first of its sort in Bangladesh. There are many in this rundown yet we notice here just the couple of from various areas to give a comprehension to the reader.

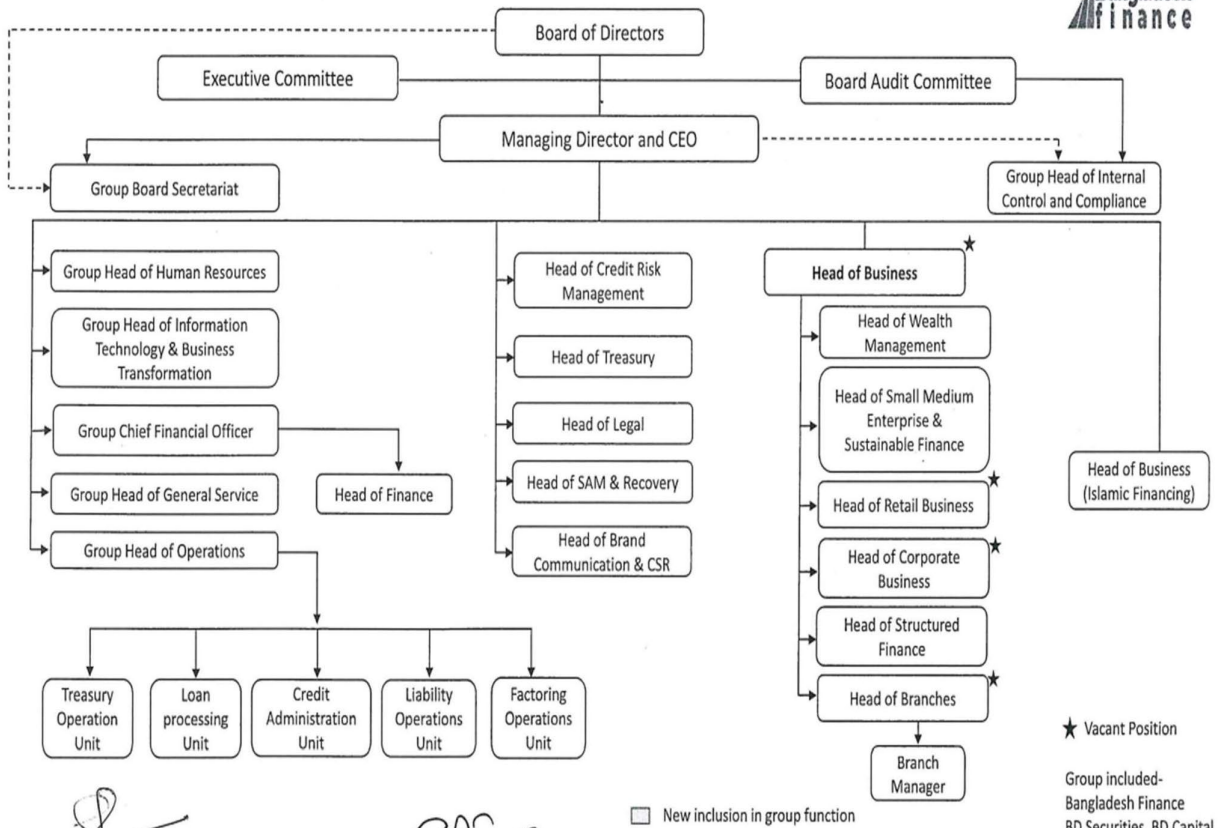
Saudi-Bangladesh Industrial and Agriculture Investment Company

The Saudi-Bangladesh Industrial and Agricultural Investment Company Limited, in short known as SABINCO, is a Development Financial Institution (DFI) and Investment Company. It was promoted under dual initiatives of the Government of the Kingdom of Saudi Arabia and the Government of the People's Republic of Bangladesh out of deep-rooted ties and close economic relationship of the two brotherly Muslim nations. The company was established under joint collaboration by a protocol signed between the two governments in 1984 with a view to making investments in the industrial and agro-industrial fields in Bangladesh. It's headquarter at Dhaka. The company commenced operation in 1986. Bangladesh Bank granted license to SABINCO in 1993 under the Financial Institutions Act 1993 to operate as a Non-Banking Financial Institution. Give unrivaled client care and serious valuing.

United Finance

United Finance Limited started its journey as a Financial Institution in 1989 and they are affiliated with Duncan Brothers (Bangladesh) Limited, Camellia PLC (United Kingdom) and Lawrie Group PLC (United Kingdom) and its associated concerns who have a combined presence of over 150 years in Bangladesh. They serve the financial needs of a diverse client base of both companies and individuals. They operate in all 64 districts of Bangladesh through 25 offices and a team of more than 700 employees. Give an invigorating and testing yet amicable workplace, put resources into preparing to saddle the maximum capacity, and repay on a presentation premise. They guarantee that their administration quality surpasses client assumptions as far as ideal conveyance, decency in treatment, and worth expansion.

2.2.1 [Organizational Hierarchy chart](#)



(Signature)
Ahshanuzzaman Shujan
 Group Head of Human Resources
 Bangladesh Finance Limited

(Signature)
Md. Kyser Hamid
 Managing Director & CEO
 Bangladesh Finance Limited
 27, Dhaka C/A, Dhaka-1000

☐ New inclusion in group function

★ Vacant Position

Group included-
 Bangladesh Finance
 BD Securities, BD Capital

2.2.2 Number of Employees

There are 565 employees working in total in Bangladesh Finance Ltd. (BDFINANCE.BD | Bangladesh Finance & Investment Co. Ltd. Company Profile & Executives - WSJ, 2022)

2.2.3 Main Offices

Principal Branch

Baitul Hossain Building (7th floor), 27 Dilkusha C/A, Dhaka-1000, Bangladesh

Chattogram Branch

Aziz Court (19th floor), 88-90 Agrabad C/A, Chattogram

Bangshal Branch

Mahmud Tower 19 (7th Floor), Siddique Bazar, Bangshal, Dhaka

Sylhet Branch

Firoz Center (5th Floor), 891/Ka Chouhatta, Sylhet Sadar-3100

Uttara Branch

Zeenat Center-2 (5th Floor), Plot No. 111/4 Road No.7, Sector No. 4, Uttara, Dhaka-1230

Gazipur Branch

Riaz Tower (4th Floor), Chandana Chowrasta, Gazipur

Jashore Branch

Rashid Center (3rd Floor), 7/A RN Road, Jashore

2.2.4 Introduction of all the departments

There are important departments in Bangladesh Finance Limited. They are:

- Operations
- Human Resources
- Credit Risk Management
- Treasury
- Internal Control Compliance
- SAM
- Information Technology

2.2.1 Comments on the organizational structure

The flat structure of the organization makes all the employees feel like it's their home. Every employee is allowed to enter and approach the CEO and MD anytime they want, and everyone's emotional and social needs are valued properly. Which enables the company to get the maximum out of the employees.

Chapter Three- Internship Duties & Responsibilities

3.1 Brief introduction of the branch

Currently among the operational 7 branches of Bangladesh Finance Limited, the Principal branch was chosen for the internship program, which is situated at Baitul Hossain Building (7th floor), 27 Dilkusha C/A, Dhaka-1000, Bangladesh

3.2 Duration and department of the internship

The major attachment has been with the treasury department of Bangladesh Finance limited from the timespan of January 17, 2022.

3.3 Description of the tasks undertaken by the department

The treasury function works as the heart of a financial institution. With proper disbursement and a bargaining power over lenders and borrowers, the department can ensure robust amount of profit from every single transaction.

Several tasks done by the treasury department of Bangladesh Finance Limited. is elaborated below:

- ✚ Managing the liquidity of the business.
- ✚ Maintaining bank relations by communicating with different Relationship Managers of the bank.
- ✚ Forecast the upcoming payments of the company and keep fund ready as per date.
- ✚ Maintain and record data of all the bank accounts' balances at the end of each day, especially about the deposits to calculate the Cash Reserve Ratio and the Statutory Liquidity Ratio.

✚ Clearing of High- value and Low-value cheques by 11:30 and 11:00 am respectively

borrower and keep it as high as possible when the company is lender. However, the company cannot keep the spread of interest rate more than 3%, as per the Bangladesh Bank's financial institution act, 1993.

- ✚ Maintenance of 1.5% of CRR ratio of the first two weeks average deposit balance of the previous month. For example, the average deposit of first 14 days of January was 900 crores. Therefore, the CRR to be maintained in February is $(900 \times 1.5\%) = 13.5$ crore on average for the first 14 days with no less than $(900 \times 1\%) = 9$ crore in the Bangladesh Bank reserve per day.
- ✚ Whenever this falls below the 9 crores at any stated particular day, the company will be penalized with a huge amount of fine. This 1.5% of the average deposit will not earn any interest; rather it shall be kept in the conventional banking current deposit account of the Bangladesh Bank.
- ✚ Maintenance of 3.5% of the SLR ratio of the first two weeks average deposit balance of the previous month. For example, the average deposit of next 14 days of January was 800 crores. Therefore, the SLR to be maintained in February is $(800 \times 3.5\%) = 28$ crore on average for the first 14 days. But this 1.5% of the average deposit will earn any interest; it can be kept in conventional banking fixed deposit account of Bangladesh Bank or any other banks.
- ✚ Bangladesh Bank pre-finance and re-finance such as Covid Stimulus, Agro, Jaika, SME etc. Deal initiating, making, and checking by three different individuals, as per Bangladesh Bank regulation, through the website of EDS money.
- ✚ Data entry and posting in a system software named "Bank Ultimus" where all departments get chance to crosscheck the given entry with their documentation.

3.4 Description of the tasks assigned to me

For the internship purpose, several tasks were assigned to me.

- ✓ Preparation of Bangladesh bank refinancing schedule, JAIKA, SME, SME AGRO, COVID STIMULUS etc. and cross checking with the payment date provided in the BB statement.
- ✓ Opening internet banking with several banks such as NCC, SIBL, IBBL, UCBL etc.

- ✓ Communicating with the bank's RMs for daily balance enquiry (o those banks who do not have internet banking facility.)

- ✓ Current Account, Savings Account (MSA), Fixed Deposit Receipt (FDR), and other forms can be found under the account opening section. Clients were given those forms and were told what documents they needed to supply. Following that, the clients' information and required papers are collected on the forms.

- ✓ Customers fill out the form and return it with the required documents to open an account. The officers then give authorization for an account number and CRM number after completing an individual form. The forms are then sealed with all of the requisite seals, and the manager and other required signatures are given by the authorized officers. After that, the forms must be scanned and uploaded to a computer via a server.

- ✓ A manual entry in the register book is required for transfer and clearing cheques. All of the cheques, including clearing and transfer, were entered in separate register books by the personnel in charge. The cashier then hands over the cheques, which are then given to the officer for posting when they have been given entry.

- ✓ The Bank's acknowledgment part of the BEFTN form and RTGS form for clients are being filled out at the Clearing Department. The task of posting RTGS and EFTN to the program has been delegated. Aside from that, CPS (Cheque posting system) cleared cheques are being posted both outward and inward.

Chapter Four- Experiences from the internship program

4.1 Assigned departments

The internship period was mostly filled with learning about the overall branch financing system of Bangladesh Finance Limited, Head office branch. In that process lot of tasks and activities were needed to be learned and put into action and some tasks mainly entailed observing how certain system works in a bank. Therefore, most of the emphasis on the hands-on approach of learning and doing assigned work was under the treasury division while providing service to the customer while learning about the trade. Other than that, more observing and understanding of the system was done under the Credit Risk Management department and Liability Operations Management team. The daily activities included going through the portfolio size, verifying, and updating a statement on a daily basis.

4.2 Activities Performed

During this internship period, participating in the daily operational activities of the branch both directly and indirectly was necessary for gathering cross-functional experience. The activities mainly entailed the following.

4.3 Primary Tasks

- Preparation of Bangladesh bank refinancing schedule, JAIKA, SME, SME AGRO, COVID STIMULUS, etc., and cross-checking with the payment date provided in the BB statement.
- Opening Internet banking with several banks such as NCC, SIBL, IBBL, UCBL, etc.
- Communicating with the bank's RMs for daily balance enquiry (to those banks who do not have internet banking facility.)
- Current Account, Savings Account (MSA), Fixed Deposit Receipt (FDR), and other

forms can be found under the account opening section. Clients were given those forms and were told what documents they needed to supply. Following that, the client's information and required papers are collected on the forms.

- Customers fill out the form and return it with the required documents to open an account. The officers then give authorization for an account number and CRM number after completing an individual form. The forms are then sealed with all of the requisite seals, and the manager and other required signatures are given by the authorized officers. After that, the forms must be scanned and uploaded to a computer via a server.
- A manual entry in the register book is required for transfer and clearing cheques. All the cheques, including clearing and transfer, were entered in separate register books by the personnel in charge. The cashier then hands over the cheques, which are then given to the officer for posting when they have been given entry.
- The Bank's acknowledgment part of the BEFTN form and RTGS form for clients are being filled out at the Clearing Department. The task of posting RTGS and EFTN to the program has been delegated. Aside from that, CPS (Cheque posting system) cleared cheques are being posted both outward and inward.
- Calculation of the SND balances of the accounts to calculate CRR and SLR for the following month.

4.4 Secondary Tasks

- Filing Papers (understanding the process of how to keep records of original and photocopy papers).
- Applying for online banking in several banks for several accounts.
- Contacted Relationship Managers of the bank for their online banking process.
- Designing the treasury part of the Annual Report of Bangladesh Finance in the light of BankAsia.
- Accumulating the balances of SND and Term Loans in different banks and creating of a simpler database.

- New formation of BB refinancing structure to understand at a single glance.
- Created BB refinancing schedule of 34 agreements and matched 29 of them with Bangladesh Bank.
- Went to Bangladesh Bank for accumulation of processes.
- Adjustment of balances of the remaining few CD and SND accounts of Southeast bank with the monthly statement of February.

- Sending the filled forms for internet banking in Jamuna, NCC and SIBL by messenger and receiving acknowledgement.
- Signature receiving from the signatory group A and B.
- Aligning Islamic banking accounts to identify actual deposits every day.
- Finding out the mismatch between the scheduled balance and BB statements for JAIKA.
- Filling the data of 8 signatories for Rupali Bank FDR opening and printing.
- Proof reading and improvising short introductions of Department heads for publishing in Reports.
- Sorting all the necessary documentation related to opening of account in Rupali bank.
- Went to different branches for Online banking form.

4.5 Overall Experience

The internship was one of the first exposure to a professional work setting from an academic one. Learning from colleagues by asking an endless stream of questions or shadowing and helping them in the daily operations has been very helpful in terms of learning more about the job and the work atmosphere. As an intern, it was very important to gain clarity over my strengths and weaknesses as an individual as well as a professional. It helped in gain confidence in the assigned work field while creating a footprint in the professional world.

A lot goes into maintaining the operational activities of a branch of a bank. Starting from the branch manager to the junior officer and the other support staff all work in unison in running the day-to-day activities. Every employee is a cog in the banking machine.

The most enjoyable yet sometimes the most difficult part was communicating with customers of different backgrounds and different walks of life. Some conversations turned into small productive sessions of idea exchange while some became a test of maintaining emotions. Nonetheless, it helped in hone my communication skills. The six weeks of the internship were a period of personal growth. Which included experience in customer relationships, and attaining a better understanding of the banking industry.

Chapter Five: Methodologies

5.1 Design

This report is based on Interview and secondary quantitative data, so the design is Quantitative where the relationship between the dependent variable and the independent variables are measured to find correlation among them and how significant these relations are.

5.2 Sample

As the design suggests, the report is secondary data based and the sampling was done at the author's convenience to collect data from the treasury and MMR reports of Bangladesh Finance for the past 130 MMR dates starting from 2017 till date.

5.3 Instruments

Instruments are tools that help with data collection, measurement, and analysis. For primary data, there is a myriad of instruments available suited to each type of paper. But for this report the data is secondary and from a specific organization, that is Bangladesh Finance Limited. The data which had been used in the paper was precisely found and utilized by the respected Head of the treasury, of the department and has been published in the statement with consent from the organization.

5.4 Correlation Matrix

The correlation coefficient (ρ) is a measure that determines the degree to which the movement of two different variables is associated. The most common correlation coefficient, generated by the Pearson product-moment correlation, is used to measure the linear relationship between two variables.

Thus, this will explain the relationship among the dependent and independent variables. A single number will help determine the degree of relationship between the dependent variable Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) and the Independent Variable is Treasury. The positive value among the two

variables will be interpreted as a positive relationship and a negative value will be interpreted as a negative relationship.

Run Test

Variables	Observations	N(runs)	Z	Prob> z	Geometric mean
Treasury	131	2	-0.113	0.9111	981.97
CRR	131	2	-0.113	0.9111	981.97
SLR	131	2	-0.113	0.9111	981.97

Figure 4: Correlation Test

5.5 Multiple Linear Regression

With dependent and independent variables, a multiple regression analysis is performed. The significance of the association between the variables can be determined using a variety of statistical methods.

Using simple linear regression, statisticians can predict the value of a single variable. Information about another variable that is available Linear regression tries to figure out what's going on. Along a straight line, there is a relationship between the two variables.

. Multiple regression is a sort of regression in which the dependent variable has a linear relationship with the independent variable. Two or more independent variables form a connection. It could potentially be non-linear, in which case the relationship between the dependent and independent variables is not linear.

Both linear and non-linear regression use two or more variables to monitor a specific response visually. Non-linear regression, on the other hand, is notoriously difficult to implement.

5.6 Theoretical Background

The regression approach is used in the study to evaluate the relationship between the variables chosen. This is accomplished by framing the regression equation in accordance with the study's needs. The equation has three variables: treasury, CRR, and SLR, with treasury serving as the dependent variable and CRR and SLR serving as independent variables. The researcher wants to know whether treasury is affected by the chosen independent factors using this regression approach. The connection is critical for credit distribution and, as a result, the nation's overall economic growth. Liquidity the board is a key element that straightforwardly impacts the Banks benefit, credit, and monetary development. Productive liquidity the board can prompt the minimization hazards and age of more benefits through upgrading loanable assets. This aspect shows the liquidity the executives state of the financial area and effect of

liquidity in guaranteeing benefit, GDP development. Information from state-claimed business banks, private business banks and unfamiliar business banks for the year 2008-2016 have been considered for leading the review. Optional sources information from the Bangladesh Bank have been utilized to dissect the liquidity position and proportions as per the BaselIII rule. A subjective strategy has been utilized to break down the liquidity condition. Factors like store, advance, benefit, CRR, SLR, ADR, and GDP have been utilized to lead the review. There are just couple of studies over the liquidity the board in emerging nations banking framework, discoveries of this study is particularly like past investigations. The banking area has kept up with higher Liquidity Coverage Ratio and Net Stable Financing Ratio than administrative prerequisite in 2016 yet

overabundance liquidity has blended connection with benefit. The review clarifies that ADR proportion has reverse connection with liquidity while GDP has no straightforwardly fundamental connection with liquidity. The outcomes exhibited that the review is a lot of approach important and long haul change is required in the factors to work on the effect of liquidity the board. The review can be helpful to the arrangement creators, analysts, the executives and pertinent partners to plan and carry out need based liquidity the executives strategies for reasonable development of our economy.

CRR: The Cash Reserve Ratio, also known as CRR, is a compulsory budget that should be maintained by the State Bank of Bangladesh. All banks are required to maintain a certain percentage of their residual interest and overdue liabilities such as cash balance and Treasury. CRR is the percentage of total deposit, which a commercial bank should keep as a cash reserve with the Treasury. Banks are not allowed to use that money, held with the Treasury, for economic and commercial purposes. It is a tool used by apex bank to control the economic downturn and to control the flow of money in the country. Therefore, if the Treasury wants to increase investment in the economy, it will reduce the rate of CRR while, if the Treasury wants to reduce the supply of money in the market it will increase the rate of CRR. The money save proportion is especially valuable in managing the pace of expansion/flattening and liquidity in the country. Assuming the national bank is of the assessment that there is an excessive amount of liquidity in the economy, it will expand the CRR. This lessens the banks' loaning capacity as they would be left with a lesser sum which can be utilized to give advances and make speculations.

SLR: The Statutory Liquidity Ratio, recently referred to as SLR and is a liability that banks should keep, as fixed securities, based on a certain percentage of total demand and time loans. SLR is a percentage of the Debt and Debt savings deposited by the bank in the form of liquid assets. It is used to maintain the stability of banks by limiting the amount of credit offered to their customers. Banks hold more than the required SLR and the purpose of the SLR is to hold a certain amount of cash in the form of liquid assets, to meet the need for depositors as they rise. The Statutory Liquidity Requirement (SLR) is one of the quantitative and integral assets of money

related control of the focal banks changes in SLR can markedly affect cash and credit circumstance of a country. Assuming the national bank raises normal save prerequisite of the business banks, this would make a lack of hold ordiminishing in accessible hold of safe foundations. Assuming the banks can't get new holds, they would be compelled to contract both income and stores which would bring about a decrease in the accessibility of credit and increment the market loan fees. The converse would occur if the national bank brings down its save prerequisites.

Treasury: The function of the Treasurer is to increase the expenditure and capital expenditure of the Bank while managing financial assets. The Treasury is also responsible for making sound investment in the fund as it minimizes financial risk by being responsible for measuring and monitoring all risks

associated with the Bank's exposure to internal and external financing, domestic and foreign financing, asset management and overall bank management.

Through the management of Asset Liability Management (ALM) and effective trading activities, the treasurer strives to maximize the bank's profitability by conducting fair market analysis and applying its assets and liability in line with that market practice. And these days, the Banking industry is constantly undergoing changes in technology, regulation, and compliance, resulting in the Department of Finance becoming a strategic business partner in all areas of the Banking Business. Treasury includes the administration of cash and monetary dangers in a business. The need is to guarantee the business has the cash it necessities to deal with its everyday business commitments. It additionally intends to guarantee there is sufficient money accessible to meet future liabilities.

Chapter Six – Analysis

6.1 Linearity Test

Correlation is a statistical term that describes how closely two variables are connected in a linear fashion (meaning they change together at a constant rate). It's a typical way of explaining simple interactions without stating a cause-and-effect relationship.

The strength of the association is measured by the sample correlation coefficient, r . The statistical significance of correlations is also determined.

Outside of the two variables being investigated, correlation cannot look at the existence or influence of additional factors. Correlation does not, however, reveal cause and effect. Curvilinear connections are similarly difficult to characterize using correlation.

After collecting the secondary data from Bangladesh Finance Ltd and running the correlation graph on Excel, a strong correlation between the Treasury and Cash Reserve Ratio was found. Here, the correlation graph between the Treasury and Cash Reserve Ratio is portrayed below:

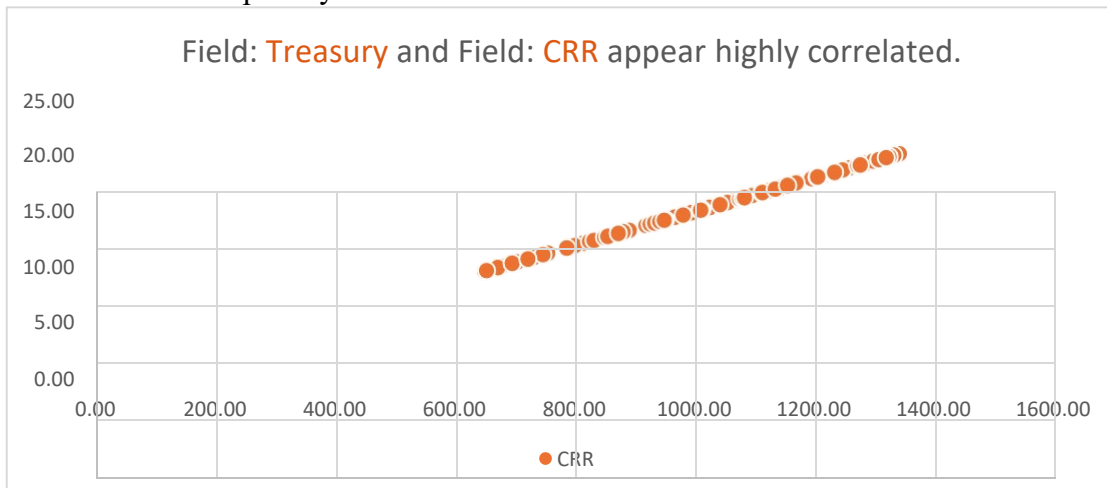


Figure 07: Collinearity Analysis Test

From the above correlation graph, there is an upward sloping linear relationship between Treasury and Cash Reserve Ratio is noticed. Thus, the relationship between Treasury and Cash Reserve Ratio is strong positive.

Correlation is performed using the correlate command. If no variables are specified (e.g., correlate var1 var2 var3 versus just correlate), Stata will display a correlation matrix for all non-string variables:

If instead one specifies variables after correlating, only those variables will be displayed. From the correlation graph mentioned above, we have found that the treasury and the Cash Reserve Ratio is strongly positively correlated to each other. Now, any of these two variables will be appropriate to use for finding out the correlation with the Statutory Liquidity Ratio. In order to understand the relationship between the independent variables, the correlation between the Cash Reserve Ratio and Statutory Liquidity Ratio is being run. The result of the correlation is mentioned below:

	crr	slr
crr	1.0000	
slr	0.0453	1.0000

Figure 08: CRR SLR Relationship

Here, the correlation value of cash reserve ratio with statutory liquidity ratio is 0.0453. This indicates, if the Cash Reserve Ratio is being fluctuated by one unit, the overall change in Statutory Liquidity Ratio will be 0.0435 of the Statutory Liquidity Ratio.

Chapter Seven– Conclusion

From the correlation, there is an upward sloping linear relationship between Treasury and Cash Reserve Ratio is noticed. Thus, the relationship between Treasury and Cash Reserve Ratio is strong positive. The conclusion led to the result of the independent variables, which are the Cash Reserve Ratio and Statutory Liquidity Ratio having a significance on the dependent variable, which is the Treasury. The financial ratios suggest an enhanced and efficient operation at Bangladesh Finance Limited, as well as whether factors are more important for the firm's operational efficiency. The analysis will give practitioners a clear idea how CRR and SLR impacts the company's treasury. The investigation found that these factors were critical for the functional proficiency at the firm.

After collecting the secondary data from Bangladesh Finance Ltd and running the correlation graph on excel, a strong correlation between Treasury and Cash Reserve Ratio was found. Here, for every positive regression coefficient we get an increase in the treasury, and for every negative regression coefficient, we get a decrease in the treasury. cumulative percentage of CRR and SLR is on and average 4.5% which follows the Bangladesh Bank's regulation on maintaining CRR and SLR. A global test was also conducted to investigate whether any of the independent variables have coefficients that are significantly different from zero. This is also the test of the validity of the model.

The Treasury is also responsible for making sound investment in the fund as it minimizes financial risk by being responsible for measuring and monitoring all risks associated with the Bank's exposure to internal and external financing, domestic and foreign financing, asset management and overall bank management. With the result of this study, Bangladesh Finance can leverage it to make their financial services available to a broader segment of the population as part of their commitment to inclusive, sustainable, and high-quality growth.

REFERENCES

Alexander, William E., Tomás J. T. Baliño, and Charles Enoch, 1995, The Adoption of Indirect Instruments of Monetary Policy, IMF Occasional Paper No.126, Washington: International Monetary Fund.

Buzeneca, Inese and Maino, Rodolfo 2007, "Monetary Policy Implementation: Results from a Survey", IMF Working Paper, WP/07/7, January, pp.1-43.

Jaffee, D. and T. Russell 1976, "Imperfect Information, Uncertainty, and Credit Rationing," Quarterly Journal of Economics, 90, 651-666.

Walsh, C. E. 1998, Monetary Theory and Policy, Cambridge, Massachusetts and London: The MIT Press.

Ahmed, Shamim and Mortaza Md. Golam (2005), "Inflation and Economic Growth in Bangladesh:1981-2005". "Bangladesh Bank, Policy Analysis Unit (PAU) WP 0604".

Ahmed, Nasiruddin (2012) "The Demand for Money in Bangladesh During 1975-1997: A Cointegration Analysis" Indian Economic Review.

Ali, Muhammad Mahboob and Islam, Anisul M (2012) Money Supply Function for Bangladesh: An Empirical Analysis" working paper No. "AIUB-BUS-ECON-2010-01".

Arby, M.F.(2000), "Predicting Money Multiplier in Pakistan". Pakistan Development Review, Spring, 39(1), pp.23-35.

Bomhoff, E.J.(1997), "Predicting the Money Multiplier: A Case Study for the US and the Netherlands", Journal of Monetary Economics, 3 July, pp.325-345.

Baghestani, H. and T. Moot(1997), "A Co-integration Analysis of the U.S. Money

SupplyProcess”, *Journal of Macroeconomics*, 19(2), April, pp.269-283.

Ford, J.L. and J.L.Morris (1996), “The Money Multiplier, Simple Sum, Divisia and Innovation-Divisia, Monetary Aggregates: Cointegration Tests for the United Kingdom”, *Applied Economics*, 28, June, pp. 705-714.

Ghannadian, F. F., & Goswami, G. (2004). "Developing economy banking: the case of Islamic banks". *International Journal of Social Economics* , 740-752.

Journal of Research in Business Vol. 1, Issue. 1, January 2011(pp.35-44).

Johannes,J. M M.and R.H.Rasche (1979)”Predicting the Money Multiplier” *Journal of*

Chowdhury, I., Hoffmann, M., & Schabert, A. (2006). Inflation dynamics and the cost channel of monetary transmission. *European Economic Review*, 50(4), 995-1016.

Haque, A., & Tariq, A. (2012). Efficiency of banks in Pakistan: A non-parametric approach. *Business and Economic Research*, 2(1).

Khan, W. A., & Sattar, A. (2014). Impact of interest rate changes on the profitability of four major commercial banks in Pakistan. *International journal of accounting and financial reporting*, 4(1), 142-154.

Loayza, N., & Schmidt-Hebbel, K. (2002). Monetary policy functions and transmission mechanisms: an overview. *Series on Central Banking, Analysis, and Economic Policies*, no.4.

Monetary Economics, 5, pp. 301-325.

Islam, Anisul M. (2000) “Money Demand Function for Bangladesh” *Bangladesh Development Studies*, Vol. XXVI ,December 2004.

Metwally, M. (1997). "Differences between the financial characteristics of interest-free banks and conventional banks". *European Business Review* , pp: 94.

Muhammad Farhan Akhtar, Khizer Ali, Shama Sadaqat (2011). "Liquidity Risk Management: A comparative study between Conventional and Islamic Banks of Pakistan". *Interdisciplinary Journal of Research in Business*, Vol.1,issue 1, January 2011(pp.35-44).

Park, Y.C.(1980), "The ability of the Monetary Authorities to Control the Shock of Money in LDCs" in W.L. Coats, Jr and D.R. Khatkhate (eds.), *Money and Monetary Policy in Less Developed Countries*, Pergaman Press Ltd. London.

Johannes, J. M M. and R.H. Rasche (1979) "Predicting the Money Multiplier" *Journal of Monetary Economics*, 5, pp. 301-325.

Sole, J. (2007). "Introducing Islamic Banks into Conventional Banking Systems". *International Monetary Fund*.

Vento, G. A., & Ganga, P. L. (2009). "Bank Liquidity Risk Management and Supervision: Which ". *Journal of Money, Investment and Banking* (10), 79-126.

Ajayi, F. O., & Atanda, A. A. (2012). Monetary policy and bank performance in Nigeria: A two-step cointegration approach. *African Journal of Scientific Research*, 9(1), 462-476.

Abidi, F. S., & Lodhi, S. (2015). Impact of Changes in Reserve Requirement on Banks Profitability: A Case of Commercial Banks in Pakistan. *European Journal of Business and Management*, 7, 1-6.

Naseem, I. (2012). The Profitability of Banking Sector in Pakistan. Science Series Data Report, 42-53

Oganda, A. J., Mogwambo, V. A., & Otieno, S. (2018). Effect of Cash Reserves on Performance of Commercial Banks in Kenya: A Comparative Study between National Bank and Equity Bank Kenya Limited. International Journal of Academic Research in Business and Social Sciences, 8(9), 685-704.

Pan, H., Song, H., Wang, Y., & Hu, Y. (2012). Analysis of the Effects of Frequent Increases of the Reserve Requirement Ratio by the People's Bank of China. Modern Economy, 3(2), 229-236.

Rao, P. (2006). Monetary policy: Its impact on the profitability of banks in India. International Business & Economics Research Journal (IBER), 5(3).

Udeh, S. N. (2015). Impact of monetary policy instruments on profitability of commercial banks in Nigeria: Zenith bank experience. Research Journal of Finance and Accounting, 6(10).

Yesmine, S., & Bhuiyah, M. S. Y. (2015). Determinants of banks' financial performance: A comparative study between nationalized and local private commercial banks of Bangladesh. International Journal of Business and Management Invention, 4(9), 33-39.

Younus, S., & Akhtar, M. (2009). The SLR as a monetary policy instrument in Bangladesh. IMF Occasional.

Appendices

Bangladesh Finance Annual Reports Retrieve: <https://bd.finance/financial-reports/>

Questions For Interview

- Why it is important to maintain the CRR & SLR?
- How Does Treasury Maintain the CRR & SLR as per Bangladesh Bank's rules?