

Foreign Exchange Performance and Bank's Profitability
an
Evaluation of Jamuna Bank Limited, Motijheel Branch

Submitted To

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To

Asphia Habib

Senior Lecturer, BRAC Business School

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Subject: Submission of Internship Report

Dear Madam

With due respect I would like to submit the report on "***Foreign Exchange Performance and Bank's Profitability: an Evaluation of Jamuna Bank Limited, Motijheel Branch***", This was the topic of my internship program. I would like to say that this report was prepared by me under the supervision of my internship supervisors.

I believe that this internship program has given me a vast opportunity to enrich both of my knowledge and experience. I made my best effort to fulfill the objective of the report and believe that it will meet your expectation.

In preparing this report I have tried almost to include all the relevant information and analysis to make the report comprehensive as well as workable one.

I, therefore, hope that you will be enjoying reviewing this report.

Thank you.

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Acknowledgement

It gives me immense pleasure to thank a large number of individuals for their cordial cooperation and encouragement who have contributed directly or indirectly in preparing this report.

Firstly, I would like to express my gratefulness to Almighty Allah who has enabled me to pursue my study.

I convey my gratitude to my honorable supervisor, Afsana Habib, Lecturer, BRAC Business School (BBS), BRAC University for his guidance and co-operation, which helped me immensely to prepare this report.

I would like to also express my gratitude To Md. Elai Chowdhury, Vice President & Manager (Operation), Jamuna Bank LTD, Motijheel Branch for giving me the opportunity and appointment and lastly certifying the internship program that I have completed.

Special thanks to Mr. Tofazzel Islam Executive Officer, Mr. Topon Chowdhury First Executive Officer, Mr. Md. Akbar Hossen First Executive Officer, Of Jamuna Bank LTD, Motijheel Branch. It is them who made it easy for me to understand and encouraged me a lot during my internship program.

And last; I would like to thank all other wonderful personnel working in Jamuna Bank LTD, Motijheel Branch.

Table of Contents

CHAPTER NO.	CONTENTS	PAGE NO.
I	Introduction of the Report/Study	1-7
II	Organization Overview	8-16
III	About Foreign Exchange Department	17-19
IV	Import	20-21
V	Export	22-23
VI	Foreign Remittance	24-27
VII	Foreign Exchange Performance and Bank's Profitability	28-37
VIII	Recommendation and Conclusion	38
	Bibliography	

Executive Summary

Banking is topic, practice, business or profession almost as old as the very existence of man, but literarily it can be rooted deep back the days of the Renaissance (by the Florentine Bankers). It has sprouted from the very primitive Stone-age banking, through the Victorian-age to the technology-driven Google-age banking, encompassing automatic teller machines (ATMs), credit and debit cards, correspondent and internet banking. But the foreign exchange services have been a vicinity of concern not only to bankers but to all in the business.

The axle of this study is to have a clearer picture of how Jamuna Bank LTD, (JBL) manages its Foreign Exchange performance. An Introduction of JBL is given in the first part, its objectives, scope, methodology, limitations, and the literature review of foreign exchange performance and bank's profitability. In this light, the study in its second part gives an Organization Overview. Third, fourth, fifth and sixth part includes the theoretical review on foreign exchange, Export, Import, Remittance and how bank profitable through foreign exchange services. In the last section that includes some Recommendation, Findings and Conclusion.

Finally I have gone through my own assessment regarding their operation. I hope that Jamuna Bank Ltd may improve the operation in Bangladesh in future.

Chapter-1

Introduction of the Report/Study

1.1 Introduction

Bank can be termed as iron cell of blood in a financial system of a country. Without bank a financial system can't survive. From the very beginning of financial activity in human civilization bank has a remarkable contribution as a whole.

Banking-A pillar of economy- is guided by laws, rules, regulations and practices. The prime objective of the banking industry as a whole is to collect deposits from the public and to invest the same in the form of loans and advances to businesses. The service necessary for financing of import, export, guarantees etc is also the function of banks. In our country, like others, Banking companies act 1991 remain operative to control and monitor the function of banks in coordination with the other laws. Since the banking functions are commercial in nature, many laws from the negotiable instrument act to civil procedure code are essential in the day-to-day operations of the banks.

Generally a bank comprises of three departments- General Banking, Credit Department, and Foreign Exchange Department. The department that is most important to a bank and to the interest of the country is Foreign Exchange Department.

This report is an outcome of three months career at Jamuna Bank Ltd. prepared as the partial requirement of BBA program of BRAC Business School, BRAC UNIVERSITY. The organization attachment started on 20th October, 2013 and finished on 15th January, 2014. The topic of the report is ***“Foreign Exchange Performance and Bank's Profitability: an Evaluation of Jamuna Bank Limited, Motizhil Branch”***

During three months intensive internship program, an approach has been taken to get an inside out scenario of Foreign Exchange Activities of Jamuna Bank Limited. At the beginning of paper an overview of the Jamuna bank Ltd. has been given. This chapter contains history of the dawn of the Jamuna Bank Ltd, its financial strength and some other important details.

Next to that overview, the detailed procedure of Foreign Exchange Operation-Export, Import, and Remittance that related with bank's profitability are described in third chapters.

After closely observing the Foreign Exchange Operation of Jamuna bank Ltd. the problems and shortfall in the Foreign Exchange Activities has been tried to find out. Regarding that problems and short fall some recommendation has been specified.

1.2 Origin of the Report

Bachelor of Business Administration (BBA) Course requires a three months attachment with an organization followed by a report assigned by the faculty supervisor. I took the opportunity to do my internship in Jamuna Bank Limited, Motizhil Branch. The organization attachment started on 20th October 2013 and finished on 15th January 2014. Actually this is a feedback which department accepts from the students who join in an organization after the completion of theoretical part of the BBA program.

1.3 Rational of the study

Foreign exchange is an important department of Jamuna Bank Limited, which deals with import, export and foreign remittances. It bridges between importers and exporters. This department is playing an important role in enhancing export earnings, which aids economic growth and in turn it helps for the economic development. On the other hand, it also helps to meet those goods and service, which are most demandable and not adequate in our country. Foreign exchange operation is one of the significant functions of the bank. It plays a vital role in overall economy of the country. Bank collects information from numerous sources relating to cost and revenue from foreign exchange operation. Through export, import, and foreign remittances Foreign Exchange department of the banks earns their profit. Banks is the intermediary of all export, import, and remittance activities. Foreign Exchange Market allows currencies to be exchanged to facilitate international trade and financial transactions. After passing a lot of phases, present foreign exchange market has established and performing to benefit all the parties incorporated here. There are basically three players in the foreign exchange market of Bangladesh. Those are the Bangladesh Bank, authorized dealers, and customers. This paper discussed regarding the related issues of foreign exchange performances and bank profitability of Jamuna Bank Ltd.

1.4 Statement of the problem

Globalization of national economies has given a boost to international trade. Through foreign services bank make their profits so this study discuss how Jamuna bank foreign exchange department performed and bank would be profitability. The study seeks answers to the following questions:

1. How Foreign exchange department help to utilize more profit?
2. Does foreign exchange department performed effectively?

1.5 Objective of the study

General objective:

The general objective of this report is to know about the principle and how to perform of foreign exchange department of Jamuna Bank Ltd. Motizhil Branch.

Specific objective

- Analyze the organizational activities
- To know about the Foreign Exchange Mechanism of the Branch.
- To know about the regulations regarding Foreign Exchange Business in Bangladesh.
- Analyze the performance of Branch regarding Foreign Exchange related with bank profitability
- To find out the problems in the Foreign Exchange department and to provide the possible solutions for those.

1.6 Limitation

During groundwork of this report some obstacles have come across, which can be termed as the limitation of the project, these reasons did not allow this report to go in depth of issues hence several parts of the report is not concentrated. Therefore the limitations that were faced:

- The website of the bank is not provided enough information.
- The branch office is not providing the strategic and financial information
- Unfortunately due to the bank's limitations (business secrecy and confidentiality), I was unable to acquire sufficient information.
- As this is my first report about Bank so I had to face some difficulties to preparing the report.
- Shortness of time
- Improper combination among various departments
- Foreign Exchange Department process and procedures are quiet complicated and huge formalities are maintained

1.7 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 included in the review for this paper. In addition to the reviewed journal articles, I also used references from popular media sources and visited several relevant online websites to provide what may be viewed as the popular mainstream perspective.

According to *The Economist*, (**Published by the [International Business Times AU](#). Retrieved: February 11, 2011**) foreign exchange market is arguably the world's largest market place. It has an average daily turnover of US\$1.9 trillion, with some other sources

such as **GO Market's [Introduction to Foreign Exchange](#)** estimating the market to have an average daily turnover in excess of US\$4 trillion. The Bank for International Settlements says that average daily turnover in global foreign exchange markets is estimated at \$3.98 trillion as of April 2010, which is a growth of more or less 20% over the \$3.21 trillion daily volume in the same month back in 2007. Bottom line is foreign exchange has a huge turnover.

Marrewijk, Charles Van, (October 2004) said that, the foreign exchange market is a form of exchange for the global decentralized trading of international currencies. Financial centers around the world function as anchors of trading between wide ranges of different types of buyers sellers around the clock, with the exception of weekends. The foreign exchange market assists international trade and investment by enabling currency conversation. For example, it permits a business in the United States to import goods from the European 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 and Kashfia Ahmed (April, 2009) discussed that Banking system plays a very important role in the economic life of the nation. The health of the economy is closely related to the soundness of its banking system. In a developing country like Bangladesh the banking system as a whole play a vital role in the progress of economic development. A bank as a matter of fact is just like a heart in the economic structure and the Capital provided by it is like blood in it. As long as blood is in circulation the organs will remain sound and healthy. If the blood is not supplied to any organ then that part would become useless. Export and Import facility provided by the banks works as an incentive to the producer to increase the production. Most of the banks carried on foreign exchange trade. Whether they export or import, it is through banks that money is transferred from one country to another. For example, 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 well 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 increased 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, Shill and Haque (2007) stated that the traditional measure of profitability through stockholder's equity is quite different 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 is not only associated with this asset liability management but also related to growth opportunity. Smooth growth ensures higher future returns to holders and there lies the profitability which means not only current profits but future returns as well. So, 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 nationalized, private and foreign commercial banks. Many efforts have been made to explain the performance of these banks. Understanding the performance of banks requires 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 important today because of the fierce competition. The banking industry is experiencing major transition for the last two decades. It is becoming imperative for banks to endure the pressure arising from both internal and external factors and prove to be profitable. Until early 1985, Bangladesh had a highly repressed financial sector (**Chowhdury, 2002**). 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 gained momentum under the influence of the World Bank and the IMF. Since then the banking industry of Bangladesh has become an attractive ground for both domestic and foreign investors to take part in the game. It is of utmost importance that these players prove themselves profitable.

1.8 Methodology of Data collection

For achieving the specific objective of the study, data will be gathered most of from primary sources and little from secondary sources.

Primary sources

- Direct conversation with the employees of the Foreign exchange Departments of JBL
- By using organizational information.

Secondary Sources

- Website of Jamuna Bank Limited.
- Annual Reports, Brochures, Manuals and Publication of Jamuna Bank Ltd.
- Website of Bangladesh Bank
- Foreign Exchange Manual published by Jamuna Bank Ltd

Chapter-2

Organization Overview

2.1 About Jamuna Bank Ltd

Jamuna Bank Limited is a highly capitalized new generation Bank with an Authorized Capital and Paid-up Capital of 1600.00 million and 390.00 million respectively. The Paid-up Capital has been raised to 429.00 million and the total Jamuna Bank Limited (JBL) is a Banking Company registered under the Companies Act, 1994 with its Head Office at Chini Shilpa Bhaban, 3, Dilkusha C/A, Dhaka-1000. The Bank started its operation from 3rd June 2001. Currently the Bank has 74 branches. The Bank undertakes all types of banking transactions to support the development of trade and commerce of the country. JBL's services are also available for the entrepreneurs to set up new ventures and BMRE of industrial units. Jamuna Bank Ltd., the only Bengali named new generation private commercial bank was established by a group of winning local entrepreneurs conceiving an idea of creating a model banking institution with different outlook to offer the valued customers, a comprehensive range of financial services and innovative products for sustainable mutual growth and prosperity.

The sponsors are reputed personalities in the field of trade, commerce and industries. The Bank is being managed and operated by a group of highly educated and professional team with diversified experience in finance and banking. The Management of the bank constantly focuses on understanding and anticipating customers' needs. The scenario of banking business is changing day by day, so the bank's responsibility is to device strategy and new products to cope with the changing environment. Jamuna Bank Ltd. has already achieved tremendous progress within only eleven years. The bank has already ranked at top of the quality service providers & is known for its reputation. Jamuna Bank offers different types of Corporate and Personal Banking Services involving all segments of the society within the purview of rules and regulations laid down by the Central Bank and other regulatory authorities.

At present the Bank has 41 real-time centralized online banking branches (Urban & Rural) throughout the Country having smart IT-Backbone. Besides this traditional delivery point, the bank has ATM of its own, sharing with other partner banks & Consortium throughout the Country

2.2 Mission, vision, strategy statement

VISION

To become a leading banking institution and to play a vital role in the development of the country.

MISSION

The Bank is committed to satisfying diverse needs of its customers through an array of products at a competitive price by using appropriate technology and providing timely service so that a sustainable growth, reasonable return and contribution to the development of the country can be ensured with a motivated and professional work-force.

STRATEGIES

- ✓ To manage and operate the Bank in the most efficient manner to enhance financial performance and to control cost of fund
- ✓ To strive for customer satisfaction through quality control and delivery of timely services
- ✓ To identify customers' credit and other banking needs and monitor their perception towards our performance in meeting those requirements.
- ✓ To review and update policies, procedures and practices to enhance the ability to extend better service to customers.
- ✓ To train and develop all employees and provide them adequate resources so that customers' needs can be reasonably addressed.
- ✓ To promote organizational effectiveness by openly communicating company plans, policies, practices and procedures to employees in a timely fashion
- ✓ To cultivate a working environment that fosters positive motivation for improved performance

- ✓ To diversify portfolio both in the retail and wholesale market
- ✓ To increase direct contact with customers in order to cultivate a closer relationship between the bank and its customers.

2.3 CORPORATE SLOGAN

Your Partner for Growth

2.4 SPONSORS

The sponsors of Jamuna Bank Limited are highly successful leading entrepreneurs of the country having stakes in different segments of the national economy. They are eminent industrialists & businessmen having wide business reputation both at home & abroad.

2.5 MANAGEMENT

JBL is managed by highly professional people. The present Managing Director of the Bank is a forward-looking senior banker having decades of experience and multi discipline knowledge to his credit both at home and abroad. He is supported by an educated and skilled professional team with diversified experience in finance and banking. The Management of the Bank constantly focuses on the understanding and anticipating customers' needs and offer solution thereof. Jamuna Bank Limited has already achieved tremendous progress within a short period of its operation. The bank is already ranked as one of the quality service providers & known for its reputation.

2.6 SERVICE

Jamuna Bank Limited offers different types of Corporate and Personal Banking Services involving all segments of the society within the purview of the rules and regulations as laid down by the Central Bank and other Regulatory Authorities.

Deposit Products

(a) All Types of Deposit Accounts:

The client can maintain different types of deposit accounts i.e. Current, Savings, STD, FDR and Foreign Currency Account according to his necessity and convenience.

(b) Special Deposit Schemes

Loan Products

(a) General Loan Facility

(b) SME Credit Scheme

Electronic Products

- Real Time On-Line any branch banking
- 24-hours ATM
- Debit Card
- Credit Card
- Telephone Banking
- SMS Banking
- Internet Banking

(c) Retail Credit Products

- Any purpose lifestyle loan
- Loan against salary
- CNG Conversion loan
- Car Loan
- Travel Loan
- Consumer Loan
- Household durable loan
- Study Loan
- JBL Debit & Credit Card
- Doctors Loan
- Marriage Loan

JBL Corporate Structure

Employees of JBL share certain common values, which helps to create a JBL Culture

- The client comes first
- Search for professional excellence
- Openness to new ideas & new methods to encourage creativity
- Quick decision-making
- Flexibility and prompt response
- A sense of professional ethics.

2.7 OBJECTIVES

- To earn and maintain CAMEL Rating 'Strong'
- To establish relationship banking and improve service quality through development of Strategic Marketing Plans.
- To remain one of the best banks in Bangladesh in terms of profitability and assets quality.
- To introduce fully automated systems through integration of information technology.
- To ensure an adequate rate of return on investment.
- To keep risk position at an acceptable range (including any off balance sheet risk).
- To maintain adequate liquidity to meet maturing obligations and commitments.
- To maintain a healthy growth of business with desired image.
- To maintain adequate control systems and transparency in procedures.
- To develop and retain a quality work-force through an effective human Resources Management System.
- To ensure optimum utilization of all available resources.
- To pursue an effective system of management by ensuring compliance to ethical norms, transparency and accountability at all levels.

2.8 Organizational Organ gram

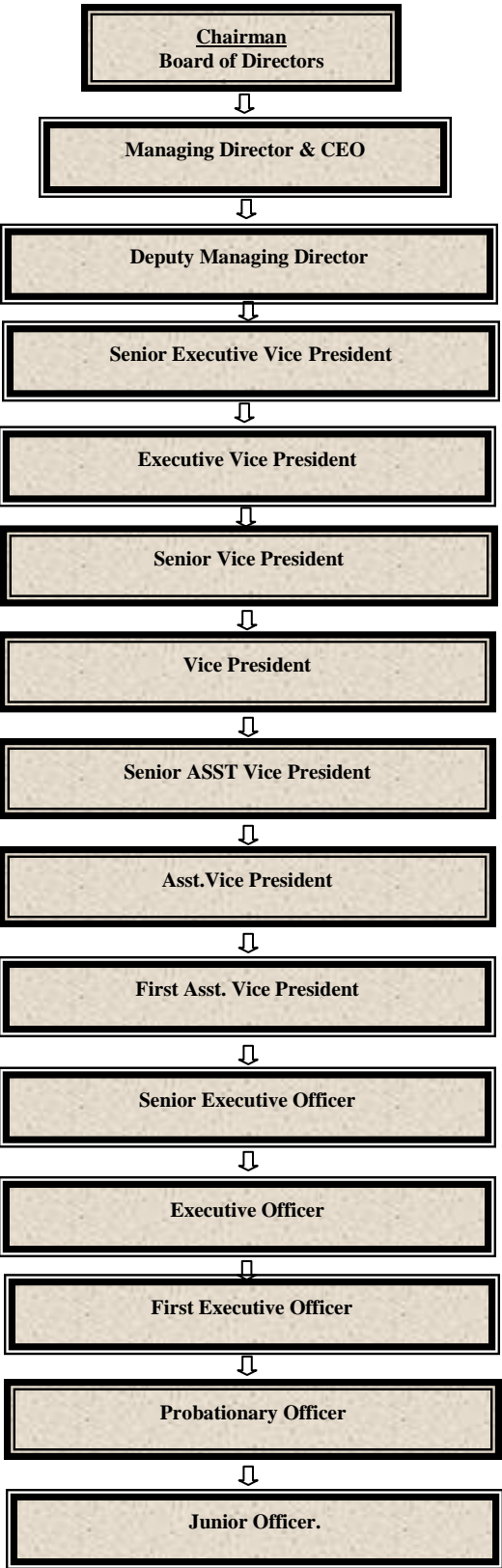


Figure: 1

Jamuna Bank Ltd at a glance

The financial statement and an overview of Jamuna Bank Ltd are given below:

Taka In BDT Million

Particulars	YR-2010	YR-2009
Income Statement		
Interest income	5201.50	3788.90
Interest expenses	3725.17	2888.74
Net interest income	1476.33	900.16
Income from Investment	1152.80	1361.49
Non interest income	1112.78	666.34
Non interest expenses	1335.61	1013.74
Net Non-interest income & Investment income	929.97	1014.09
Profit before provision and tax	2406.30	1914.25
Provision for loans and assets	341.40	351.05
Profit after provision before tax	2064.90	1563.20
Contribution to Jamuna bank foundation	10.32	7.82
Tax including deferred tax	988.20	632.26
Profit after contribution to foundation and tax	1066.38	923.12
Balance Sheet		
Authorized Capital	10000.00	4000.00
Paid up Capital	2230.09	1621.88
Total Shareholders' Equity	6408.55	3980.88
Deposits (Core & Bank)	60673.56	42356.20
Long Term Liabilities	12303.00	14681.00
Loans and advances	49430.50	32287.66

Investments	10891.03	8503.44
Property, Plant and Equipment	1822.66	681.60
Earning Assets	61777.83	43465.18
Net Current Assets	44476.30	31159.26
Total Assets	70753.37	48730.95
Debt Equity Ratio	10.56	9.40
Current Ratio	1.17	0.97
Other Business		
Import	61034.50	46685.00
Export	41860.40	21407.00
Remittance	1594.11	2657.64
Guarantee	6620.00	2908.50
Capital Measures		
Total Risk weighted Assets	66839.00	31170.50
Core Capital (Tier-I)	4854.55	3054.14
Supplementary Capital (Tier-II)	1491.47	943.52
Total Capital	6346.02	3997.66
Tier-I Capital Ratio	7.26	9.80
Tier-II Capital Ratio	2.23	3.03
Total Capital Ratio	9.49	12.83

Table 2: Financial statement and an overview of Jamuna Bank Ltd

Chapter-3

About Foreign Exchange Department

3.1 Introduction

Foreign exchange is the means and methods by which rights to wealth in a country's currency are converted into rights to wealth in another country's currency. In banks when we talk of foreign exchange, we refer to the general mechanism by which a bank converts currency of one country into that of another. Foreign Exchange Department is the international department of the bank which deals globally. It facilitates international trade through its various modes of services.

The term foreign exchange has different connotations in different contexts. In terms of section 2 (d) of the Foreign Exchange Regulation Act 1947, as adapted in Bangladesh, Foreign exchange means foreign currency and includes any instruments drawn, accepted, made or issued under clause 13 of article 16 of Bangladesh Bank Order, 1972, all deposits, credits and balance payable in foreign currency as well as foreign currency instruments such as Draft, TC, Bill of Exchange, promissory note, and Letter of Credit payable in any foreign currency.

Bangladesh Bank issues license to scheduled banks to deal with foreign exchange. These Banks are known as Authorized Dealers. If the branch is authorized dealer in foreign exchange market, it can remit foreign exchange from local country to foreign countries. JBL Motizhil Branch is an Authorized dealer's

3.2 Importance of Foreign Exchange in Economy

No country is self – sufficient in this world. Every country is more or less dependent on another for goods or services.

For the following reasons foreign exchange is very important for any country:

- International trade gives opportunity of exchange of goods.
- National assets and resources of a country can be utilized properly.
- Foreign Currency can be earned easily.
- International trade helps to trade domestic production globally.

3.3 Foreign Exchange Regulations followed by JBL Motizhil Branch

Local Regulations

Foreign exchange transactions are controlled by the following rules and regulation:

- Foreign Exchange Regulation Act 1947
- Bangladesh Bank issue foreign exchange circular time to time to control the import and remittance business.
- Ministry of commerce issues exports-Import Policy guidelines.
- Bangladesh Bank published two volumes in 1996.

International Regulation

There are also some international regulations, influencing foreign exchange transactions. Few of them are discussed below:

- International Chamber of Commerce is a world-wide non-governmental origination of thousands of companies. It was founded in 1919; ICC has issued publications like UCPDC that is being followed by all the member countries.
- There is also an international court of arbitration to solve the international business disputes.
- World Trade Organization is another international trade organization established in 1995. General Agreement on Tariff & Trade was established in 1948 after completion of its 8th round; the origination has been abolished & replaced by W.T.O. This origination has vital role in international trade through its 124 member countries.

3.4 Foreign Exchange Department at JBL Motizhil Branch

The Foreign Exchange Department at JBL Motizhil Branch is divided into two sections:

- i. Foreign Trade (L/C Operation): It includes Import and Export.
- ii. Foreign Remittance

Chapter-4

Import

4.1 Import

Import means purchase of goods and services from the foreign countries. Normally consumers, firms, industries and Government of Bangladesh import goods to meet their various necessities. So, in brief we can say that import is the flow of goods and services purchased by economic agent staying in the country from economic agent staying abroad.

4.2 Import Regulations followed by the Bank

As per Import & Export control Act 1950 no person can indent, import or export any goods in Bangladesh except in case of exemption issued by the government of the peoples of Bangladesh. According to Import and Export Control Act, 1950, to be an importer the person should obtain the Import Registration Certificate (IRC) from the Office of Chief Controller of Import and Export.

Goods from South Africa and Israel or goods originated from these countries are not importable. Import of goods into Bangladesh is not permissible on the flag vessel of Taiwan, South Africa and Israel.

4.3 Procedure of Import Registration Certificate (IRC):

To carry on the business of import the first thing one needs is registration with the licensing authority of the area. To get this registration the interested person/institutions submits the application along with the following papers/documents directly to the chief controller of imports and Exports or respective zonal offices of CCI&E. Following papers/documents are usually required to obtain IRC.

1. Income tax registration certificate
2. Nationality certificate
3. Certificate from Chamber of Commerce and Industry or Registered Trade Association
4. Bank solvency certificate
5. Copy of trade license
6. A forwarding letter to the CCI&E

On receiving application the respective CCI&E offices will scrutinize the documents and conduct physical verification (if necessary) and issue demand notice to the prospective Importers to furnish the following papers/documents through their nominated Bank:

1. Original copy of Treasury Challan deposited as IRC fees
2. Assets certificate
3. Two copies of passport size photographs of the Importer
4. In case of partnership registered partnership deed

The nominated bank of the applicant will scrutinize the papers/documents and verify the signature of the applicant. After scrutinizing and verification the nominated bank will forward the same to the respective CCI&E office with forwarding schedule in duplicate through bank's representative. The CCI&E office will acknowledge on duplicate copy of the forwarding schedule and return back the same to the bank representative

On being satisfied after scrutinizing of the documents the respective zonal offices of CCI&E will issue Import Registration Certificate (IRC) to the applicants.

4.4 Methods of Importing

There exist a number of procedures of importing goods from the foreign country. Goods may be directly imported from the foreign manufactures or they may be imported through the selling agents of the foreign producers. Whoever does the function there are some stages of importing, which are as follows:



Chapter-5

Export

5.1 Introduction

Export means to transfer goods from one place to another. The exporter must pay duty on goods exported. The exporter should obtain registration from the office the chief controller of import & export, trade license ERC, LCA to open export L/C.

5.2 Methods of Export



Figure: 3

5.3 Things Done in Export

In broader aspect the major responsibility that re performed here are —

- L/C Advising
- Documents Collection
- Documents negotiation
- Export financing

Parties of the Export

- L/C issuing bank
- Importer
- L/C advising bank
- Exporter
- Confirming bank
- Negotiation bank
- The paying / Reimbursing Bank

5.4 Export Formalities

The export trade of the country is regulated by the Imports and Exports (control) Act, 1950. There are a number of formalities, which an exporter has to fulfill before and after shipment of goods. These forma or procedures are enumerated as follows:

A) Registration of the Exporter

B) Export Registration Certificate (ERC)

c) Export permit Form (EXP)

Chapter-6

Foreign Remittance

6.1 Introduction

Foreign Remittance refers to the transfer of fund from one country to another either through the office channel i.e. banking channel, post office or the informal channel. In Bangladesh still informal market is playing a significant role. However, we shall limit our discussion within the official channel.

Foreign Exchange earnings are very important for the country as valuable foreign exchange is involved in the transfer mechanism. From the year 1990, financial liberalization has been started which is still going on. Due to liberalization, restrictions on foreign remittance become ease Bangladeshi Taka, is convertible for current amount transactions on March 24, 1994 with the view to achieve better exchange rate management system. And from April 1994 Bangladesh Government has accepted the status of Article VIII of International Monetary Fund.

JBL places an important role to transfer money from other countries to Bangladesh and Bangladesh to other countries. Inward and outward T.T, M.T and draft are the main components of foreign exchange remittance. The Foreign Remittance incoming and outgoing through this branch are handled by Head Office.

6.2 AD Branch

Authorized Dealer Branches of the bank are those who are permitted by the Bangladesh Bank to deal in Foreign Exchange Business subject to the fulfillment of foreign exchange rules & regulations of the country. JBL Motizhil Br. is a AD branch.

6.3 Agency Arrangement

To facilitate foreign exchange business throughout the world, agency arrangement may be made between local bank and foreign bank. However, in case of agency arrangement accounting relationship may or may not be made.

6.4 Drawing Arrangement

Drawing arrangement is made to facilitate remittance through concluding accounting relationship between banks & corresponding bank or exchange house.

6.5 Functions Performed by Foreign Remittance

- Issuance of TC, Cash Dollar/Pound.
- Issuance of FDD, FTT & purchasing, payment of the same
- Passport endorsement.
- Encashment Certificate.
- F/C Account opening & filing.
- Maintenance of ledger of Cash Dollar, FC Deposit A/C & TC.
- Preparation of all related statement, Voucher & posting
- Preparation of Weekly, Monthly, Yearly Statement for Bangladesh Bank return timely.
- Attending all related correspondence to other Bank or Institution.

6.6 Types of Foreign Remittance

JBL Jubilee Road Branch is an authorized dealer of foreign exchange. Their dealing in foreign exchange involves buying and selling of foreign exchange covering inward remittances received from abroad and outward remittances sent abroad. Foreign Remittance has two wings i.e. Inward and Outward Remittance.

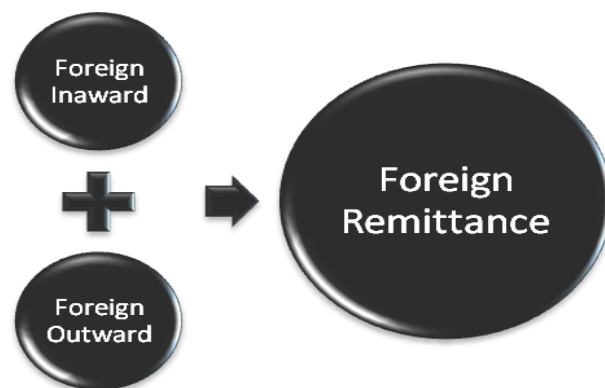


Figure: 4

Inward Foreign Remittance:

Inward remittance covers purchase of foreign currency in the form of foreign T.T., DD, and bills etc. sent from abroad favoring a beneficiary in Bangladesh. Purchase of foreign exchange is to be reported to Exchange control Department of Bangladesh Bank on Form-C.

Followings are the Inward foreign Remittance of JBL:

- I. Foreign Telegraphic Transfer Payable
- II. Foreign Demand Draft Payable
- III. Traveler's Cheque Payable
- IV. Encashment of foreign currencies endorsed in the passport.
- V. Purchase of Foreign Currencies.

Outward Foreign Remittance:

Outward remittance covers sales of foreign currency through issuing foreign T.T. Drafts etc. as well as sell of foreign exchange. Sale of foreign exchange is reported to Excel control Department of Bangladesh bank on form T/M.

Remittances issued by JBL to foreign corresponds to fulfill its customer's need are the Outward Foreign Remittance of JBL. It comprises the following:

- I. Foreign Demand Draft Issued
- II. Traveler's Cheque Issued
- III. Foreign Telegraphic Transfer
- IV. Endorsement of Foreign Currencies in passport
- V. Sale of Foreign Currencies

6.7 List of Exchange Houses of JBL with their services:

Through these exchange houses money come from abroad to Bangladesh the customer can collect the money by submitting specific document.

Sl No.	Name of the Exchange House	Location	Offered Services
1	WesternUnion Money Transfer	Global	Instant Cash
2	Money Gram Payment System	Global	Instant Cash
3	Xpress Money Services Ltd	Global	Instant Cash
4	Placid NK Corporation	Global	Instant Cash & Account Credit
5	Transfast Remittance LLC	Global	Instant Cash
6	Al Ansari Exchange	UAE	Instant Cash
7	LULU International Exchange	UAE	Instant Cash & Account Credit
8	Home Link Remit (UK) Ltd	UK	Instant Cash & Account Credit
9	Money Link U.K. Ltd	UK	Instant Cash & Account Credit
10	Raffles Exchange	UK	Instant Cash & Account Credit
11	Fast Remit	Malaysia	Instant Cash & Account Credit
12	Rumana Money Services	UK	Instant Cash & Account Credit
13	ZENJ Exchange Co. (Turbo Cash)	Bahrain	Instant Cash & Account Credit

Table: 3

Chapter-7

Foreign Exchange Performance and Bank's Profitability

7.1 Foreign Trade Business

Figure in Million Taka

Type	Branch Foreign Trade Business							
	2008		2009		2010		2011	
	No. of L/C	Amount	No. of L/C	Amount	No. of L/C	Amount	No. of L/C	Amount
Import	208	4094.08	237	4743.72	295	5809.43	320	6510.23
Export	92	2479.82	104	3267.69	160	3476.59	190	4418.05
Total	300	6573.91	341	8011.41	455	9286.05	510	10928.28

Table: 4

7.2 Earnings through Import

Figure in Million Taka

Year	Whole Bank Import	Branch Import
2008	30311.71	4094.08
2009	46685.00	4743.72
2010	61034.50	5809.43
2011	65189.97	6510.23

Table: 5

7.3 Whole Bank Import

Figure in Million Taka

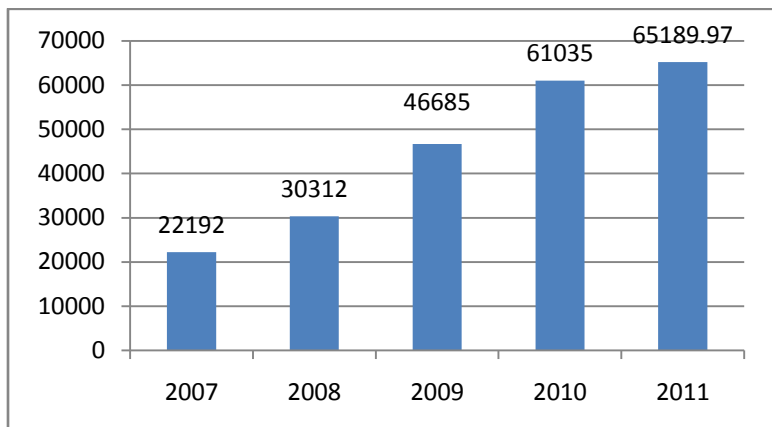


Figure: 5

7.4 Branch Import

Figure in Million Taka

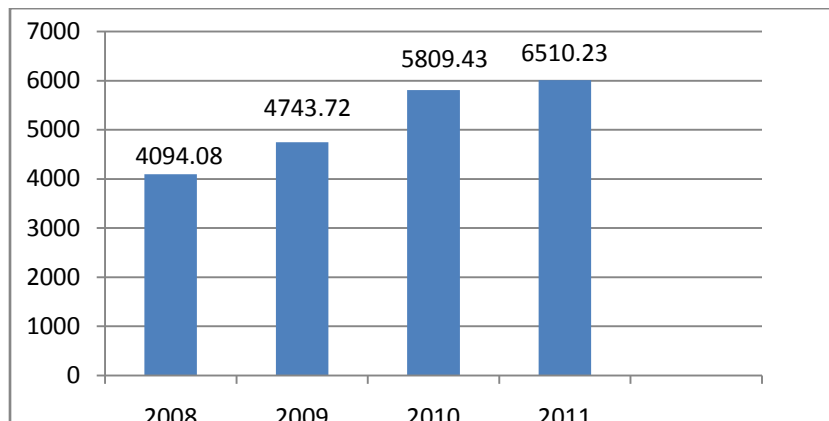


Figure: 6

The total import handled by JBL increased year by year to some extent. In year 2008 it was Tk 30311.71 Million, and it increased to Tk. 46685 Million in year 2009. Further we see the growth continues as the import handled increased to Tk. 61034.50 Million in year 2010. We can observe in the graph which shows the upward trend of the import handled by JBL.

But in case of import handled by the Motizhil branch, it increased to Tk. 4743.72 Million from Tk. 4094.08 Million in year 2009 as compared to year 2008. Increasingly year by year the amount will be increasing. It is assure that the branch will be raising profit year by year.

If i compare the import business with other bank like United Commercial Bank Ltd then you see that

Figure in Million Taka

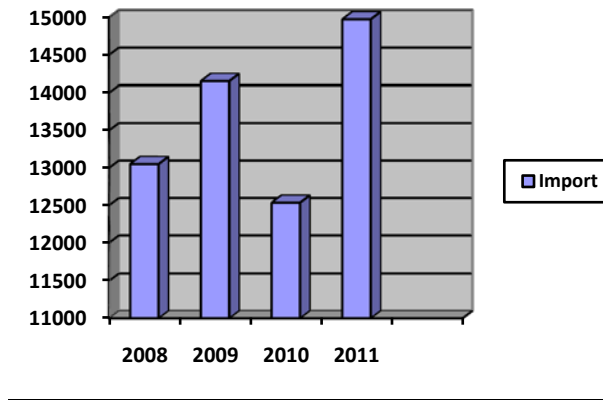


Figure: 7(performance of UCBL)

In 2008 Jamuna bank ltd will perform better than UCBL then gradually in next three years Jamuna Bank performs better rather than UCBL. The performance of import business will show in figure#6

7.5 Earning through Export

Year	Whole Bank Export	Branch Export
2008	18617	2479.82
2009	21407	3267.69
2010	41860	3476.59
2011	45237	4418.05

Table: 6

Figure in Million Taka

7.6 Whole Bank Export

Figure in Million Taka

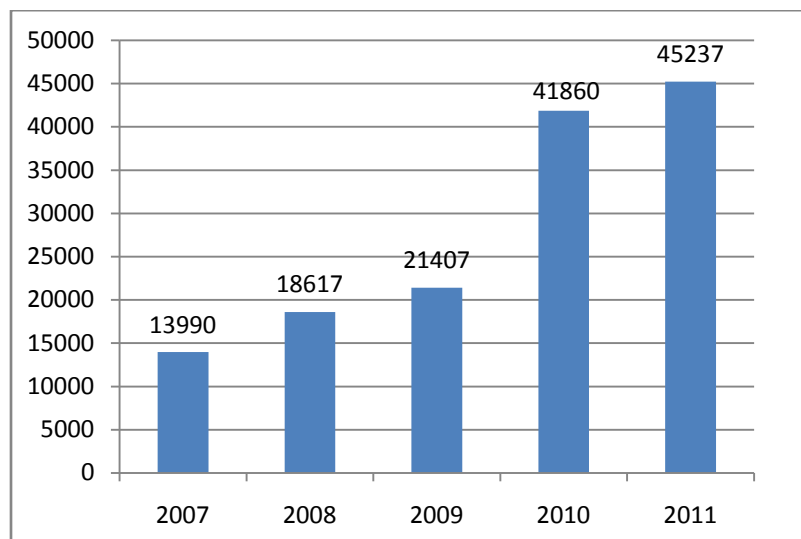


Figure: 8

7.7 Branch Export

Figure in Million Taka

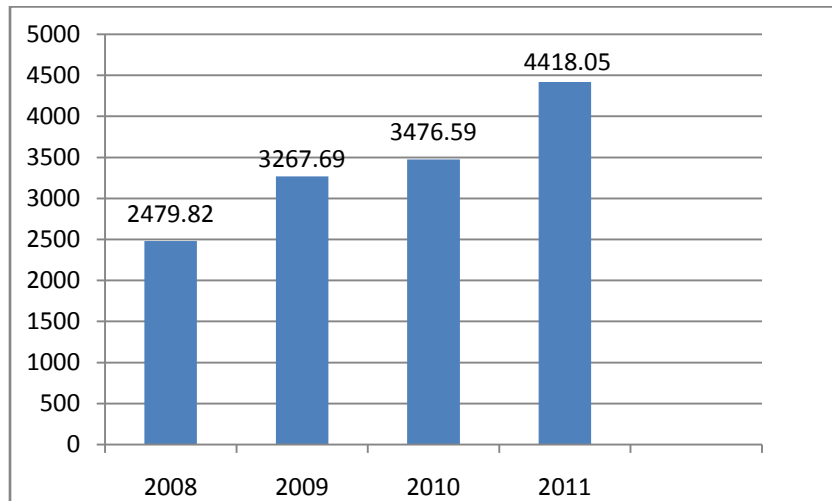


Figure: 9

The total export handled by JBL increased year by year to some extent. We can observe in the **figure# 10**, which shows the upward trend of the export handled by JBL. Export volume of this brunch reached Tk. 4418.05 million which is 3.5% higher than that of FY 2010. So, it should said that the bank make profit from Export. Major export items involved with the bank's foreign trade activities were readymade garments and non-traditional items.

Figure in Million Taka

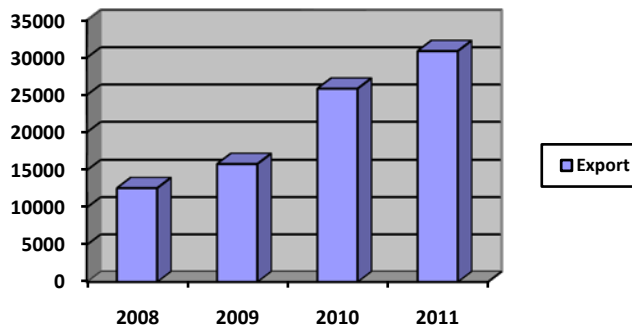


Figure: 10(Performance of UCBL)

If I compare figure#8& 10 you see that in every year the performance regarding Jamuna Bank Ltd is better than UCBL

7.8 Foreign Remittance Of JBL

Year	2006	2007	2008	2009	2010
Remittance	2262.00	2506.00	3165.00	2657.64	1594.11

Table: 7

7.9 Foreign remittance of JBL(Graph)

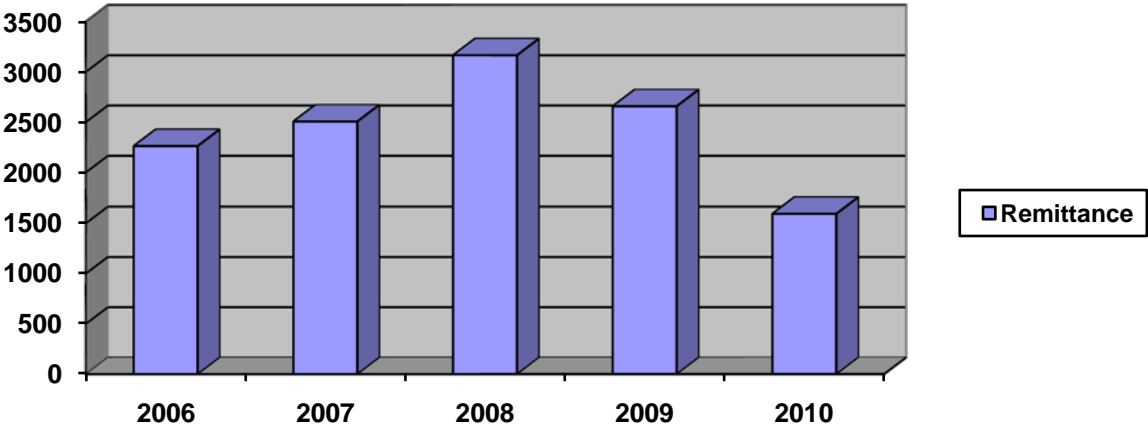


Figure: 11

Remittance is a big factor to develop a country’s economy. The table contains the total foreign remittance through the JBL. We can observe that the remittance increased in year 2007 and 2008, but it decreased in 2009 and further more it decreased in 2010 the reason behind decreases the foreign remittance in two years was some of the private banks perform better rather than JBL because they are signing contract with different foreign exchange house and the flow of foreign remittance will also be low because of economic situation is not so god in foreign countries. Ex- like America

7.10 Bank's Profitability

Banks make profit in different way. One of the ways is foreign exchange services. In the income statement, the net incomes will gradually increasing. The total income of foreign exchange increased Tk. 9286.05 million to Tk. 10928.28 million.

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. JBL is giving continued emphasis on quality assets, which resulted in providing a sound asset base for the bank.

Figure in Tk

Year	2009	2010	2011
Net Income	923,123,207	1,066,369,649	1,351,760,781
Total Assets	48,730,951,557	70,753,373,555	87,167,733,699
Return on Asset (ROA)	0.02%	0.03%	0.04%

Table: 8(Calculation of ROA)

7.11 Findings

It is not so easy to find out and analyze the Foreign Exchange performance regarding this mechanism within short time span. Despite of this, an inclusive approach has been taken to find out of foreign exchange activities of Jamuna Bank Ltd in this paper.

SWOT analysis is a simple framework for generating strategic alternatives from a situation analysis. The complete elaboration of SWOT analysis is following-

S= Strength.

W= Weakness.

T= Threat.

O= Opportunities.

SWOT analysis is very helpful to measure and evaluate a stated objective within a very short time. Hence this approach has been adopted in this paper. After monitoring closely and working proactively in the Foreign Exchange Department of Jamuna Bank Ltd. Motizhil Branch, Dhaka the following Strength, Weakness, Threat, and Weakness has been found-

❖ *Strength*

According to the CAMEL rating Jamuna Bank Ltd. is the top most bank of Bangladesh. This rating is based on **Capital Adequacy, Asset Quality, Management, Earnings, and Liquidity** of the bank. Bangladesh Bank monitors these parameters and publishes the ranking. This top most position of Jamuna Bank is the most important strength of the Bank. This is the reason why every household clients and corporate clients relies on this bank. Other strengths are-

- The Bank has well reputation in the market.
- Has good relation with Importers and Exporters.
- Sound Import and Export operation.

- Executives working in the Foreign Exchange Division are highly qualified and experienced. They are quite capable of handling large scale of export and import transactions and making a profitable customer relationship with the clients.
- The Branch follows the Foreign Exchange rules and regulation very strictly
- In export and import activities there are lots of provisions of making unethical and unlawful transactions. But Jamuna Bank Ltd. gives it utmost attention so that such unethical and unlawful does not takes place. This image of Jamuna Bank Ltd. is also a vast strength of the Bank.
- Recently Jamuna Bank Ltd. has gone through an agreement with different exchange house to provide quick and more authentic remittance service to its clients.

❖ **Weakness**

There is no unmixed blessing in the earth. Every object in the world has some lacking. So it is quite natural to have some perforates in the performance of the Jamuna Bank Ltd.

- In Foreign Exchange Division Jamuna Bank still uses lots of register for maintaining its foreign exchange transactions. It is time consuming and there are lots of chances for making mistakes. Computer software should be used to maintain these transactions to ensure timeliness and error free recording.
- There is no customer complain desk in the Bank's branches. It is not only important part of the foreign exchange activities but also for other two department of the Bank- General Banking and Credit Department.
- Being a well reputed Bank, JBL no longer wants to conduct smaller L/C request coming from small parties and as a result they are neglecting a huge number of potential customers.
- While dealing LDBP (Local Documentary Bills Purchased) with government bank, the bank faces a problem because the government bank doesn't have online system. Hence it delays the process.

❖ *Opportunities*

- As stated earlier that Jamuna bank ltd. One of popular bank in Bangladesh. Both exporters and importers have their faith on this Bank.
- The percentage of classified loans is below 2% which is far better than international standard.
- Jamuna Bank Ltd. has already 74 branches all over the country and recently they have planned to set up branches in some other places of the country.

❖ *Threat*

- Economic stagflation and economic break down of the country especially after 9/11.
- As country's export is RMG sector depended, reduce in RMG export has affected foreign exchange department of the Bank.
- The margin for opening L/C is different for different customers. The margin is more for new customers while the margin is less for corporate and reputed customers.
- Government continuous pressure to reduce interest rate.
- Frequent fluctuation of domestic currency worth against US Dollar.
- Political crisis and decaying country image as exporter.
- Rapid increase of private sector Bank in number and size.

8.2 CONCLUSION

Bank is a very important and vital for economic development in mobilizing capital and other resources. JBL is also contributing to the advancement of the socioeconomic condition of the country. To keep pace with the current market and demand, JBL is following several strategies and taking new initiatives, offering new products and services to the customers. The bank should maintain well-structured communication from upper level to lower level. JBL have a strong position in the competitive market. It is among one of the fastest growing Bank.

As the economy of Bangladesh is increasing so is the foreign trade and JBL Bank like always have played its role in making sure that things go smoothly. The bank is doing its best to provide better Import, Export and Remittance services to the customers.

Export, Import and Remittance are all showing positive trends even after the global challenges that we are facing today. But the foreign trade handled by bank decreased in recent year, this may be because of opening of new branches in different business centers and the instability in the economy of the world.

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