

**AN ANALYSIS OF FOREIGN EXCHANGE BUSINESS OF
RUPALI BANK LTD.**

By

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An Internship Report

Submitted to

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In partial fulfillment of the requirements

for the award of the degree

of

MASTER OF BUSINESS ADMINISTRATION

Date of Submission

23 September, 2015

Letter of Transmittal

Syed Mahmudur Rahman

Date: 23.09.2015

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Subject: Submission of Internship Report.

Dear Sir,

I have the pleasure to submit the Internship Report after a successful three month Internship attachment at Rupali Bank Limited for the partial fulfillment of MBA degree. The Internship Report concentrates on the “An Analysis of Foreign Exchange Business of Rupali Bank Limited.”

I have concentrated my best effort to achieve the objectives of the report and hope that my endeavor will serve the purpose. The practical knowledge and experience gathered during the report preparation will immeasurably help in my future professional life. I will be obliged if you kindly approve this endeavor.

Sincerely yours,

N. M. Omer Ferdous

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Letter of Acceptance

This is to certify that this internship report titled “**An Analysis of Foreign Exchange Business of Rupali Bank Limited**” is the bonafide work of Mr. N. M. Omer Ferdous who carried out the research under my supervision. Certified further that to the best of my knowledge the work reported herein does not form part of any other project report or dissertation on the basis of which a degree or award was conferred on an earlier occasion on this or any other candidate.

Countersigned by

Syed Mahmudur Rahman

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ACKNOWLEDGEMENT

First of all I would like to express the deepest sense of gratitude to ‘Almighty Allah’ & thanks for immeasurable grace & profound kindness for giving me the strength and the composure to finish the task.

My heartiest gratitude to my supervisor Syed Mahmudur Rahman, Lecturer, Department of MIS & E-Commerce, BRAC University, for giving me enthusiastic guidance, proper direction and valuable suggestions during the entire phase of the study to prepare this report successfully.

My sincerest gratitude to Md. Robiul Hoque Bhuiyan, Deputy General Manager of Rupali Sadan Branch, Motijheel, Dhaka, Mr. Abdul Halim, Assistant General Manager of Rupali Bank Limited, Rupali Sadan Branch, Motijheel, Dhaka for giving me their valuable time and required advices and providing all necessary papers, documents and information in carrying out the study.

Special thanks to my fellow colleagues of Rupali Bank Limited who spread their helping hand for finishing this report.

With regards,

N. M. Omer Ferdous

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Executive Summary

This report shows an analysis of import, export and foreign remittance business of RBL. To complete the study two types of data were gathered - primary data and secondary data. All the managers, FE officers of Authorized Dealer Branches and responsible person for international division of Rupali bank ltd. are related with the foreign exchange business. The data collection sources are 27 AD branches. The total sample size is 55. Primary data collected through structured questionnaire with easily understandable open ended form. Going through different document and papers, annual report, brochures, manuals of RBL, web sites the secondary data is collected. It is found that the volume of foreign remittance is better than import and export business. All the branch of RBL are engaged for foreign remittance transactions that's why volume of foreign remittance is highest. Compared with the export, import volume is higher. From the above study it can be said that if RBL takes proper steps to for arranging easier way for inflow of foreign remittance and skilled manpower are placed for providing better service, then the inflow of foreign remittance will be increased significantly. For export, invention of new product, diversification of traditional goods like jute, searching new destinations providing incentives to exporters etc. are obvious for increasing export-remittance. On the other hand new customer needs to be finding out solving the existing problem to strengthen the FE business of RBL.

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List of Abbreviations

SCB- State-owned Commercial Bank

NCB- Nationalized Commercial Bank

RBL- Rupali Bank Limited

BB- Bangladesh Bank

NRTA-Non-Resident Taka Account

NRFCA-Non-Resident Foreign Currency Account

MoF- Ministry of Finance

MoC-Ministry of Commerce

FE- Foreign Exchange

EFT- Electric Fund Transfer

NRB- Non-Resident Bangladeshi

ATM- Automated Teller Machine

SWIFT- Society for Worldwide Inter bank Financial Telecommunication

ID- International Division

AD-Authorized Dealers

RBTI- Rupali Bank Training Institute

NFCD- Non-Resident Foreign Currency Deposit

RFCD-Resident Foreign Currency Deposit

SME- Small & Medium Enterprise

Chapter One

INTRODUCTION

CHAPTER – I

INTRODUCTION

1.1 Background of the Study

Ruapli Bank Ltd. is one of the largest state owned public limited banks of Bangladesh. It plays significant role in banking business through providing service to the mass people & in the economic development of the county. The main functions of a commercial bank are to collect money from the surplus unit, transfer it to the deficit unit. The overall purpose of banking is not only the collect money form surplus unit and transfer it to the deficit unit, but also grip the foreign exchange by the means of export and wage earners remittance to well contribute in favor of economic growth and development of the emergent nations like Bangladesh. To do the foreign exchange business a commercial bank has to take authorized dealers license form the central bank of Bangladesh, Bangladesh Bank. As foreign exchange business involves transaction with the foreign country, an authorized dealer branch has to maintain some international rules and regulations along with local customs. Foreign exchange department of Rupali Bank ltd is one of the important departments that earns significant amount of profit. This bank has twenty-seven Authorized Dealers branches that are engaged for doing foreign exchange transactions. The main functions of AD branches are doing Import- export and foreign remittance business. Foreign remittance is one of the important sectors for our economy that increases our foreign reserves. Wage earners want to send the money easily to their nearest one. Foreign remittance transaction of a bank is the function of its international division how they arrange the procedure. Besides Import-export business, investing foreign currency in the international share market by using its dealing room is another business of this bank. Rupali Bank ltd. is doing its foreign exchange business by its 183 foreign correspondents. Foreign exchange business is guided by some national and international policies. Among the national regulations Bangladesh Bank, Chief controller of import and export, Ministry of commerce, Ministry of finance are main authority. International regulatory authority is ICC publications like UCPDC-600, URC, and URR. Foreign exchange market is becoming competitive gradually. Bangladesh is a comparatively small open market economy with a large expatriate labor force that sends substantial remittances to the country.

[Type text]

1.2 Statement of the Problem

Rupali Bank Ltd. is providing service with its 535 branches. All the branches are doing general banking but only 27 branches are engaged for doing foreign exchange business along with general banking. These 27 branches are Authorized Dealers branches. Though the number of the AD branches is very small but it plays significant role in the international trade of RBL. Import, export and foreign remittance are three sections of foreign exchange business. Foreign exchange business of RBL is not satisfactory compared with the expectation. Foreign exchange transactions depends on some issues among them enough skilled manpower, technological advancement, foreign correspondence, marketing policy, working environment are important. The entire essential sector was stable without developing due to the improper decision of management. All the AD branches are not doing foreign exchange business. Volume of import, export and foreign remittance are not equal in every year. This report will mainly focus on finding out the issues that has to be solved to increase the overall foreign exchange business of Rupali Bank Limited.

1.3 Objectives of the Study

The broad objective of the study is to examine the foreign exchange performance of Rupali Bank Ltd. However, the specific objectives are the following:

- 1) To investigate the present pattern of import, export and foreign remittance of RBL.
- 2) To compare year wise import, export and foreign remittance business of RBL.
- 3) To identify whether there is any problem in import, export and foreign remittance of RBL.
- 4) To suggest the better ways for increasing the foreign exchange performance of RBL.

1.4 Limitations of the Study

To prepare the report I have faced some problems. That's why this report is not free from limitations. During the period of data collection, information gathering and preparing the report the following limitations were found-

1. The bank authority was not interested to give the researcher enough time for discussion about various problems.

[Type text]

2. Time was not sufficient to collect data and interview different officials of the bank regarding the topics that were very useful to complete the study perfectly.

3. The data collection is full of complexities because relevant data sources are hard to find out.

4. There are so many obstacles because Rupali Bank Ltd. is not willing to disclose their practices, policies and flexibilities towards their competitors.

5. There may have response error. Respondents were unwilling to response that's why many data and information could not be collected.

6. To prepare an analytical report financial assistance is required. The researcher did not receive any financial assistance. That's why various types of analysis did not become possible.

7. The researcher did not get help from any study on the same on RBL. For that reason a comparative study between times could not be made.

Chapter Two



METHODOLOGY

CHAPTER II

METHODOLOGY

2.1 Target population involved in FE business of RBL

All the managers, officers and responsible person for international division of Rupali bank ltd are related with the foreign exchange business. These foreign exchange officers are selected for the focus group for this research.

- Managers -----27
- Branch Officers-----32
- ID Officers-----16
- Total-----75

2.2 Methods of collecting data

For conducting a survey accurate data and information should be collected from the right sources. For the present study two sources were used for collecting data. They are as follows:

- a. Primary data
- b. Secondary data

a. Primary Data:

Primary data collected through structured questionnaire with easily understandable open-ended form. By face to face conversation with related officers and high officials of RBL primary data have been gathered. Data were collected from managers, officers and responsible person of international division of Rupali Bank ltd by face-to-face interview also.

b. Secondary Data:

Going through different documents and papers, annual report, brochures, manuals of RBL, web sites the secondary data were collected. Official records related to foreign exchange kept in International Division of RBL were also consulted. Over the last few years, a few studies have been done on migrants' remittance. Along with these studies and reports of Central Bank, Rupali Bank Ltd., and various websites related to foreign exchange constituted secondary information.

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2.3 Sampling Plan

Study Population:

All the employees responsible for the foreign exchange department of twenty seven AD branches of RBL are the targeted population of this study. The managers, Department in charges, officers and responsible officers of international division are includes under population.

Sampling Frame:

As the number of officers responsible for the foreign exchange department is fixed and enlisted. The researcher has collected list of all the officers responsible for the foreign exchange business. Then the researcher has arranged the name according to alphabetical way. The samplings were taken randomly. The data collection sources are 27 AD branches. The total sample size is 55. Similarly customer list was collected from the Authorized Dealers branches. Total sample size for the customer was 30.

2.4 Analysis of Data

The researcher conducted primary data analysis through questionnaire review and studied additional data from secondary sources. All the collected data have been analyzed with MS Excel Spread sheet and MS Excel graphical presentation.

2.5 Variables covered

To evaluate the foreign exchange performance of RBL the following variables are covered:

- Foreign exchange policy
- Import & export transactions
- Foreign remittance transactions
- Inflow & out flow of remittance

2.6 Software used

In processing the data, MS Word and MS Excel was used. Tables and Graphs were prepared using respective facilities provided by MS Excel.

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Chapter Three

ORGANIZATIONAL PROFILE OF RUPALI BANK LTD.

CHAPTER – III

ORGANIZATIONAL PROFILE OF RUPALI BANK LTD.

3.1 Historical background

Rupali Bank Ltd. was constituted with the merger of 3 (three) erstwhile commercial banks i.e. Muslim Commercial Bank Ltd., Australasia Bank Ltd. and Standard Bank Ltd. operated in the then Pakistan on March 26, 1972 under the Bangladesh Banks Order 1972, with all their assets, benefits, rights, powers, authorities, privileges, liabilities, borrowings and obligations. Rupali Bank worked as a nationalized commercial bank till December 13, 1986. Rupali Bank Ltd. emerged as the largest Public Limited Banking Company of the country on December 14, 1986.

3.2 Company Profile

Present Capital Structure

Authorized Capital : Tk. 700 crore
 Paid up Capital : Tk. 208.73 crore

Break up of paid up Capital

Government shareholding : 90.19%
 Private shareholding : 9.81 %

Present Share Structure

Total Number of share: 20, 87, 25,000
 Number of shareholders as on 31.03.2013: 5248

Number of Branches

Rupali Bank operates through 535 branches. It is linked to its foreign correspondents all over the world.

Number of Zones and Corporate Offices

The Corporate Head Office of the Bank is located at Dhaka with one local office (Main Branch), four corporate branches at Dhaka, one in Chittagong and twenty-five zonal offices all over the country.

3.2 <http://www.rupalibank.org/rblnew>

Number of Employees

The total number of employees is 5914.

Mission of the Bank

The bank participates actively in socio-economic development of the country by performing commercially viable and socially desirable banking functions.

Board of Directors

The Board of Directors is composed of ten members headed by a Chairman and the directors comprised of representatives from both public and private sectors and shareholders.

Chief Executive

The Bank is headed by the Managing Director (Chief executive) who is a reputed professional Banker.

3.3 Board of Directors

Sl.	Name	Designation
1	Mr. Monzur Hossain	Chairman
2	Quazi Murshed Hossain Kamal	Director
3	Dr. S. M. Mahfuzur Rahman	Director
4	Prof. Mohammed Moinuddin	Director
5	Advocate Md. Abdus Salam	Director
6	Md. Syful Islam FCA, FCMA	Director
7	Md. Mahabubur Rahman Hiron	Director
8	Abul Kalam Chowdhury	Director
9	Sheikh Serajul Hoque Farazi	Director
10	M. Farid Uddin	Managing Director

Source: Rupali Bank Annual Report 2014

3.4. Rupali Bank Ltd. at a Glance

The following table shows the overall position of RBL for the year 2012, 2013 and 2014 respectively:

Table 1: Rupali Bank Limited at a glance
As on 31st December (in million Taka)

Particulars	Year		
	2012	2013	2014
Authorized Capital	7000.00	7000.00	7000.00
Paid-up Capital	1250.00	1250.00	1250.00
Total Assets	81923.71	82311.83	87580.05
Total Deposit	72446.10	70287.57	72989.15
Total Loan & Advances	47080.32	49030.00	52344.20
Ratio of Deposit and Advances	64.77%	69.76%	71.72%
Return on Assets (ROA)	0.45%	1.39%	2.40%
Total Income	1877.94	2769.20	4003.55
Total Expenditure	1504.17	1624.11	1904.84
Net Profit	371.60	1145.10	2098.70
Number of Employees	5645	5669	5914
Number of Shareholder	5049	5108	5248
Number of Branches	506	528	535
Earnings per ordinary share	4.84	69.93	133.48

Source: Annual report 2014 of RBL

3.5 Head office Divisions of Rupali Bank Ltd.

- Admin & Human Resources Department
- Audit & Inspection Department
- Central Accounts Department
- Computer Department
- Discipline Department
- Development, Planning & Research Department
- Establishment & Welfare Department
- Engineering Department
- General Banking Department

[Type text]

- General Credit Department
- Internal Control & Compliance Department
- Industrial Credit-1 Department
- Industrial Credit -2 Department
- International Division
- Law Department
- Public Relations Department
- R.B.T.I Director & DGM
- Rural Credit Department
- Recovery Department
- Reconciliation Department
- Anti-Money Laundering Department
- MIS Department

3.6 List of corporate branches

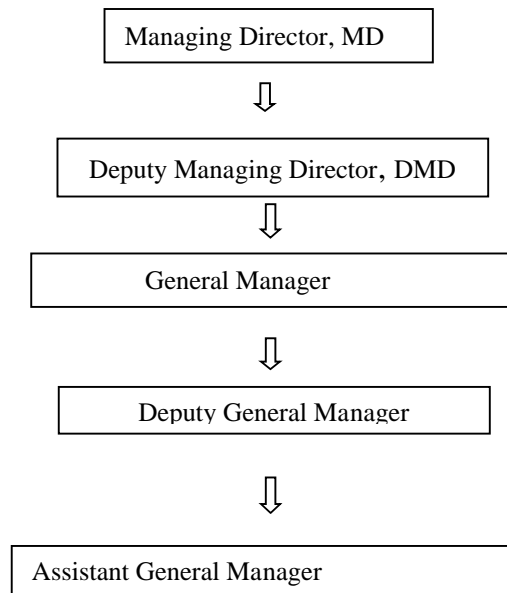
Sl.	Branch name	Address
1	Motijheel Corporate	Motijheel, Dhaka-1000
2	Rupali Sadan Corporate	Rupali Sadan, Motijheel, Dhaka
3	Local Office Corporate	Local Office, Dhaka
4	Ramna Corporate	Ramna, Dhaka
5	Foreign Exchange Br.	Foreign Exchange, Dhaka
6	Anderkilla	ANDERKILLA,CHITTAGONG
7	Purana Paltan Corporate Br.	Purana Paltan, Dhaka

Source: Annual Report of RBL 2014

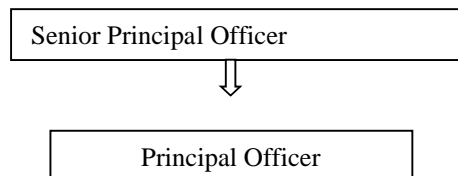
3.7 Employee Hierarchy

There is a figure given below which expresses the employee hierarchy of Rupali Bank Ltd.

Top Management



Mid Level Management



Lower Level Management

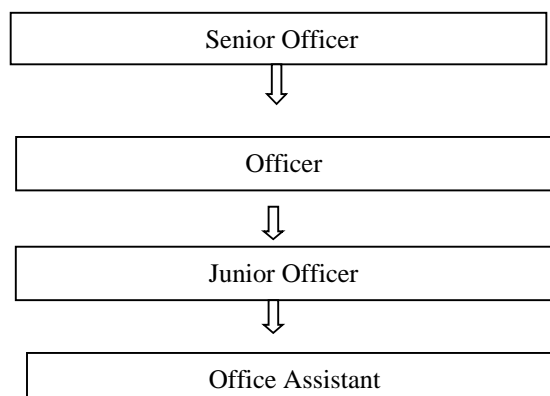


Figure 1: Employee Hierarchy of Rupali Bank Limited

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3.8 List of Authorized Dealer Branches

Sl	Branch Name	Address
1	T.C.B Bhabon	TCB Bhaban(Gnd Floor), 1-2 Karwan Bazar, Dhaka.
2	Midford Road	94 Chalk Mogholtuly (1st Floor.), P.O. Box No. :1061, Lalbagh
3	Johnson Road	51 North Brooke hall Road, Sutrapur Thana, Dhaka – 1100
4	Thana Road	Thana Road, Bogra
5	Motijheel Corporate	Motijheel, Dhaka-1000
6	Shaheb Bazar	Shaheb Bazar, Rajshahi
7	Rupali Sadan Corporate	Rupali Sadan, Motijheel, Dhaka
8	Local Office Corporate	Local Office, Dhaka
9	Ramna Corporate	Ramna, Dhaka
10	Foreign Exchange Br.	Foreign Exchange, Dhaka
11	S.K.Road	S.K.Road, Narayangonj
12	Chotto Bazar	Chotto Bazar, Mymensingh
13	Rupali Sadan	Rupali Sadan,Chittagong
14	Agrabad	Agrabad , Chittagong
15	Anderkilla	Anderkilla,Chittagong
16	Amir Market	Amir Market, Chittagong
17	Terri Bazar	Terri Bazar, chittagong
18	Station Road	Station Road, Chittagong
19	New Market	New Market, Sylhet
20	Monoharpur	A.K. Fajlul Haque (1st Floor), Monoharpur,, Rajgonj, Comilla-3500
21	Shams Building	Shams Building, Khulna
22	Daulatpur	Doulatpur, Khulna
23	Mistrikhana Road	Mistrikhana Road,Jessore
24	Sadar Road	Sadar Road, Barisal
25	G.L.Roy Road	G.L.Roy Road, Rangpur
26	H.S.S Road Branch	H.S.S Road Branch, Chittagong
27	Purana Paltan Corporate Branch	Purana Paltan Corporate Branch, Dhka

3.9 Rupali Bank Training Institute

Since the Establishment in 5th July 1976, Rupali Bank Training Institute provided training and development programs to 20735 employees and staffs. In 2013 more than 600 employees participated in the training and development programs for various courses. Emphasis is given on foundation banking courses to the newly recruited officers and training on foreign exchange is also given as per requirement.



Figure 2: Training Institute of RBL

3.10 List of Divisions/Zones of Rupali Bank Ltd.

- Barisal division
- Comilla division
- Chittagong division
- Dhaka north division
- Dhaka south division
- Head office division
- Khulna division
- Local division
- Maymensingh division
- Rajshahi division
- Rongpur division
- Sylhet division

Figure 3: List of Zones of Rupali Bank Ltd.

3.11 Functions of Rupali Bank

3.11.1 General Banking

Rupali Bank Ltd. Provides its general banking service to the customers throughout the country with its 535 branches in urban and rural areas.

Various deposit schemes of RBL

- i. Savings deposit
- ii. Current deposit
- iii. Short notice deposit
- iv. Time deposit
- v. DPS
- vi. Rural deposit pension scheme
- vii. Festival deposit
- viii. Call deposit

Interest rates of deposit schemes

Savings deposit – 4.5%

Short notice deposit – 3.5%

Time deposit – varies between 7.5% to 8.5% depending on time

Foreign remittance deposit – 6%

Rupali Bank deposit pension scheme 2 – 6.5%

3.11.2 Other Banking services

Besides general banking Rupali Bank Ltd. Provide other banking services such as –

- i. Demand draft
- ii. Pay order
- iii. Telegraphic transfer
- iv. Mail transfer
- v. Call deposit
- vi. Transfer of fund with instructions

Computerized Banking

Currently RBL is working on transferring their banking activities from traditional to online/internet banking. The system is still in progress and it is expected that soon all the branches of RBL will operate under online banking system.

One Stop service

Currently only 27 AD branches are offering fast paced one stop services to its customers. Soon most of the branches of RBL will introduce this service so the customers don't have to rely on the specified branches only.

Utility Services

Rupali Bank Ltd. works as an agent for its customers and provides various utility services such as collection of telephone, electricity, water, gas bills for free of charges.

3.11.3 Credit Facilities

General Credit Programmes

With main focus on financing trade, business and industry productiveness RBL credit programs are expanded throughout the country. This credit program also covers international/cross-border business. Basic focus is on developing the rural economy such as agriculture and livestock. Credit is also provided to the thrust sector declared by the government.

Rural Credit Programmes

Rural credit programs are designed to promote and facilitate agro based business and services, and also to ensure employment opportunities in rural areas. These are the sector of financing under this program – fishery, livestock, shrimp, poverty alleviation, micro credit, agro products marketing etc.

Youth and Farmer Loan

Rupali Bank Ltd. provides loans to the young entrepreneurs and farmers by having a savings account with it. The loan amount can be up to five times of the savings account amount but not exceeding fifty lac taka.

SME Loan

Rupali Bank Ltd. offers Small and Medium Enterprise loan (SME) in three categories – industrial, service and business sector.

- Industrial sector – loans for electronics material, fashion design, plastic and synthetic functions, establishment of school and kindergarten.
- Service sector – loans for education, health, recreation, tourist spot making.
- Business sector – loans for retailer and whole seller grocery shop, departmental store, medicine and restaurant purpose.

Student Loan

With the sense of corporate social responsibility Rupali Bank Limited provides student loan facilities to study abroad. RBL is offering student loan up to 12,00,000,00 Taka against reasonable amount of interest.

3.11.4 Investment Banking

RBL investment banking portfolio includes –

- i. Bangladesh government bond and securities
- ii. Treasury bills
- iii. Grammen Bank bonds
- iv. Debentures of Govt. and semi-govt. organizations and public limited companies
- v. Shares of listed companies

3.11.5 Industrial Financing

RBL industrial loan portfolio includes appropriate investment fund for the development of thrust sectors such as textile, jute and products, leather and products, frozen and semi-cooked shrimps, footwear, knit garments and other small and medium enterprises. RBL also emphasizes on providing loan to the IT industry.

3.11.4 <http://www.rupalibank.org/rblnew/>

3.11.5 <http://www.rupalibank.org/rblnew/>



Figure 4: Industrial Financing in RBL.

3.11.6 Training and Development

The Human Resources Division is very much concerned about the training. Every year it provides a schedule for development and training purposes. The bank recruited officers in 2013-2014 through Bankers' Recruitment Committee (BRC) which is conducted by Bangladesh. Now RBL is recruiting officers by their own arrangement. RBL give importance to provide institutional training to their human resources. It has its own training institution. At the top there is a national level training institute and RBL also provide training at Bangladesh Institute of Bank Management (BIBM) to cater to the training needs of the higher level bank personnel.

3.11.7 Performance Appraisal and Feedback

The RBL follows closed appraisal system and appraisal is mainly done for the use of promote, disciplinary action and to control human resources. Performance feedback is almost absent in RBL. No systematic culture has yet been developed for performance feedback.

3.11.8 Foreign exchange functions of Rupali Bank Ltd.

Rupali Bank Limited is doing its international business around the world by its 27 Authorized dealer branches and 183 foreign correspondences. Rupali bank ltd has one joint venture branch outside the country. Import, export and foreign remittance are the main focus of foreign exchange transaction of RBL.

3.11.6 <http://www.rupalibank.org/rblnew/>

3.11.7 <http://www.rupalibank.org/rblnew/>

3.11.8 <http://www.rupalibank.org/rblnew/>

FC A/C opening

There are three types of FC Account that can be opened in USD, GBP, EUR with AD Branches of Rupali Bank Ltd.

1. Private foreign currency account – Bangladeshi resident residing abroad or foreign nationals residing in Bangladesh or any foreign company operating in Bangladesh can open this account.
2. Non-resident foreign currency deposit account – Bangladeshi origin all non-residents having dual nationality can open this account.
3. Resident foreign currency account – this account is for all the residents of Bangladesh to do foreign currency exchange business.

Documents for FC A/C

- Two Copies of Photographs of applicant attested by the High Commission/Embassy.
- Two Copies of Photographs of nominee of the a/c attested by the applicant.
- Copy of passport attested by High Commission / Embassy.
- Residence certificate / Employer's certificate.

Facilities in F.C. Accounts

- Nominee can operate the account.
- Interest is paid on F.C account.
- Balance in F.C A/C can be utilized for import of goods.
- Balance available in the F.C. account may wholly or partially be sent abroad.
- Foreign currency brought in by Wage Earners can be deposited in the F.C A/C.
- Non-resident Foreign Currency Deposit A/C (NFCD A/C) can also be opened by Wage Earners.
- This A/Cs may be maintained as long as the account holder desires.

F/C Account Products and Services

- ❖ Export Credit (Pre-shipment & Post-shipment)
- ❖ Suppliers Credit
- ❖ Letter of Credit (Import)
- ❖ Guarantees in Foreign Currency
 - Bid Bond
 - Performance Guarantee
 - Advance Payment Guarantee
- ❖ Bill purchasing/ discounting
- ❖ Remittance, Collection, Purchases & Sales of Foreign Currency & Traveler's Cheques
- ❖ NRTA (Non-Resident Taka A/C)
- ❖ NFCD Account (Non-Resident Foreign Currency Deposit)
- ❖ RFCD Account (Resident Foreign Currency Deposit)
- ❖ Convertible & Non-convertible Taka Account
- ❖ Forward contracts
- ❖ Correspondent Banking Relations

3.11.9 Correspondent Banking

Rupali Bank's aim is to increase its foreign exchange business. It is doing international banking with major banks of the world. It is maintaining agency arrangements and correspondent relationship with about 160 foreign correspondents.

Country wise list of Correspondent Banks

RBL has correspondent banks all over the world as given bellow:

Australia	India	Oman	Sweden
Canada	Japan	Pakistan	Thailand
China	Jordan	Qatar	UAE
Croatia	South Korea	Russia	UK
Denmark	Kuwait	Saudi Arabia	USA
France	Malaysia	Singapore	Yugoslavia
Germany	Nepal	Sri Lanka	Hong Kong
Netherlands	Switzerland		

Chapter Four

FOREIGN EXCHANGE BUSINESS OF RUPALI BANK LTD.

4.1 Foreign Exchange

Foreign exchange means - foreign currency and includes any instrument drawn, accepted, made or issued under clause (13) of Article 16 of the Bangladesh Bank Order 1972.

- all deposits, credits and balances payable in any foreign currency.
- any draft, travelers cheque, letter of credit and bill of exchange expressed and drawn in Bangladesh currency but payable in any foreign currency.

Foreign exchange is money denominated in the currency of another nation or group of nations. Foreign exchange can be in the form of cash, funds available on credit and debit cards, travelers cheque, bank deposits, or other short-term claims. When a company sells goods or services to a foreign customer and receives foreign currency, it needs to convert domestic currency. When importing, the company needs to convert domestic to foreign currency to pay the foreign supplier. This conversion usually takes place between the company and its bank.

Foreign Exchange Transactions is transactions that have any one of the following features-

- Involves any currency other than local currency i.e. cross currency transactions.
- Involves at least one country other than own country i.e. cross border transactions.

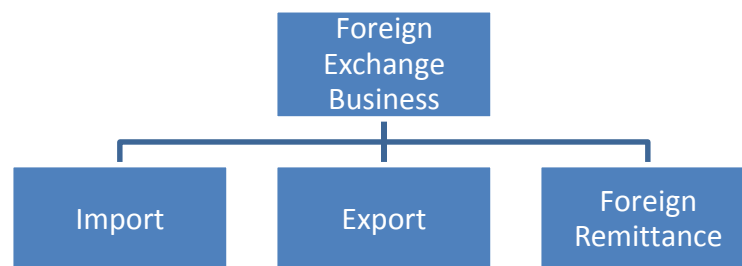


Figure 5: Foreign exchange Business

Identification of Foreign exchange Transactions

- Rupali Bank sell USD to a customer on account of import
- Rupali Bank issues FDD to a student who goes for abroad for study
- Rupali Bank sells USD to someone for travel abroad
- Rupali Bank Sanctions a USD loan to M/s. Bengal leather complex ltd., a local company.
- Mr. X (a resident) wants to pay Mr. Y (a non-resident)

4.2 Authorized Foreign Exchange Dealers

The act provisions authorized dealers in foreign exchange. It restricts foreign exchange dealings like buying, borrowing, selling, lending, conversion etc. by any person other than an authorized dealer. The authorized dealers have to comply with general and/or specific directions and instructions issued by Bangladesh Bank from time to time. The authorized dealers shall, before undertaking any transaction in foreign exchange on behalf of any person, require that person to declare that the transaction will not involve any violation of the act.

4.3 Regulatory Authority

There are two regulatory authorities for the foreign exchange business. Local rules and international customs. Among the local rules BB guide lines, rules from MoF, rules from MoC, Foreign Exchange Regulation Act, 1947 Chief controller of import and export. International regulatory authority is ICC publications like UCPDC-600, URC, and URR.

4.4 IMPORT

Import means to purchase goods from outside of the country and bring the goods inside the country. From the very beginning RBL has embarked on extensive foreign exchange business with a view to facilitating international trade transactions of the country. The bank has established credit of import financed included electronic equipment's, sports goods, rice, wheat, seeds, soybean, polyolefin, dyes, chemicals, accessories etc.

For the import processing in RBL, an importer has to take import registration certificate from the chief controller of import & export. The following papers are taken at the time of issuing letter of credit in RBL-

- i) Application
- ii) Pro-forma invoice/ indent order
- iii) Insurance cover note
- iv) Letter of credit authorization form
- v) IMP form
- vi) Charge form
- vii) Trade license
- viii) IRC
- ix) Income tax certificate
- x) Member ship certificate
- xi) VAT registration certificate

4.4.1 Types of Importer

Commercial importer

It means an importer is registered under the imports, exporters and indentors registration order, 1981 who import goods for sale. When issued to a commercial importer, gives the category held by him with ITC classification and public notice against which they are admitted into import trade.

Industrial importer

When issued to an industrial consumer, gives the items of import as raw materials and packing materials and spare parts etc.

4.4.2 Import Procedures of RBL

1. Registration of importer
2. Furnish the relevant papers/documents through the nominated bank one can demand notice from CCI&E
3. The nominated bank of the applicant will scrutinize the papers/documents and verify the signature of the applicant
4. L/C authorization form
5. Opening of L/C
6. Task of Banks- The issuing bank opens/issues the L/C in accordance with the instruction/request of the importer and request another bank located in the seller's/exporters country to advise the L/C to the beneficiary. The issuing bank may also request the advising bank to confirm the credit, if necessary.
7. The advising bank advises/informs the seller that the L/C has been issued.
8. As soon as the exporter/ seller receives the L/C and is satisfied that he can meet the L/C's terms and conditions, he is in a position to make shipment of the goods.
9. The negotiating bank examines the documents and if found O. K negotiates the documents and sends the said documents to the L/C issuing bank.
10. After receiving the documents the L/C issuing bank also scrutinizes the documents and if found o.k. makes the payment to the negotiating bank.
11. The L/C opening bank then requests the importer to receive the documents on payments.
12. The importer after paying all dues receives the documents from the L/C issuing bank and then releases the imported goods from the port authority.
13. Import against LCA form without opening L/C.

4.4.3 Documentary Credit/Letter of Credit

Documentary credit is an assurance of payment by the bank. It is an arrangement under which the bank at the request of the buyer or on its own undertakes to make payment to the seller provide specified documents are submitted. Documentary credit is an arrangement whereby a bank acting at the request and on the instruction of a customer or on its own behalf undertakes to make payment to or to the order of a third party or accept and pay bills of exchange drawn by the beneficiary, or authorize another bank to negotiate against stipulated documents provided the terms and conditions to the credit are complied. Thus, Documentary credits are a kind of bank guarantees. In popular language, they are known as letter of Credit. Bank guarantees are, however, issued to cover situation of non- performance whereas documentary credits are issued on behalf of the buyer to cover situation of performance i.e. the issuing bank agrees to make payment to the beneficiary once he surrenders the requisite complying documents.

Letter of Credit Transactions

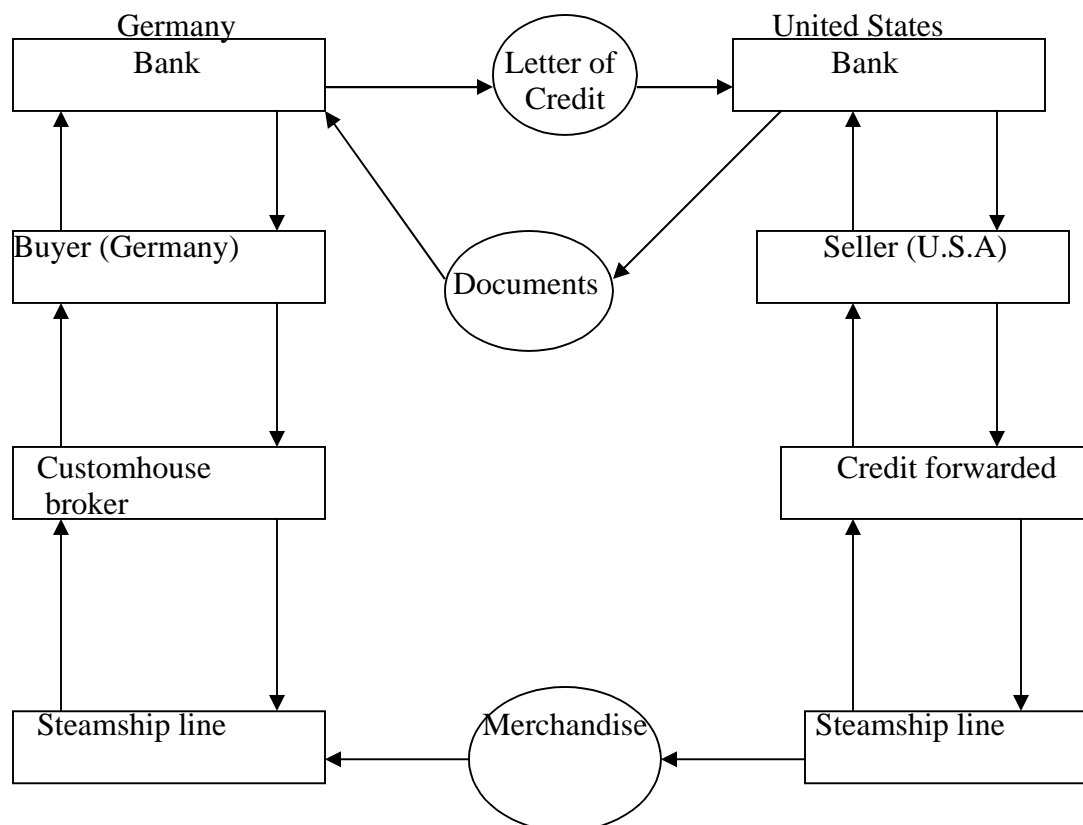


Figure 6: Letter of Credit Transactions.

Figure 10 illustrates the routes taken by the merchandise, letter of credit, and documents in a letter of credit transaction between a U.S seller and a German buyer. When the German buyer accepts the terms of sale that provide for confirmed and irrevocable letter of credit, she goes to her bank to arrange for opening the required letter. The buyer will furnish the bank with the information contained in the pro-forma invoice, specify the documents that the exporter must present to obtain payment, and set the expiration date for the credit. The German bank then instructs its correspondent bank in the United States to confirm the credit and inform the seller that it has been established. The seller prepares the merchandise for shipment and notifies the freight forwarder, which books space on a ship prepares the export documents and arranges to have the merchandise delivered to the port. The documents together with a sight or time draft drawn by the seller are presented to the U.S bank, which pays the seller and forwards the documents for collection to the German bank. To obtain the documents that give title to the shipment, the buyer in Germany must either pay the sight draft or accept a time draft. Having done, so the buyer receives the documents, which are the given to the customhouse broker. The customhouse broker acts as the buyer's agent in receiving the goods form the steamship line and clearing them through German customs.

The following accounting procedure to be taken at the time of opening L/C

1. Dr. importer account
 - Cr. Sundry Deposit Account Margin on L/C
 - Cr. Income Account commission
 - Cr. Sundry Deposit Account 15% VAT on L/C commission
 - Cr. Sundry Deposit Account 5% source tax on L/C
 - Cr. Income Account Miscellaneous account
2. Dr customer liability L/C (cash/back-to-back/aid/loan/barter)
 - Cr banks liability L/C (cash/back-to-back/aid/loan/barter)

At the time of lodgment and retirement the following accounting procedure are maintained

Dr. Banks liability A/C	Dr. Margin A/C
Cr. Cutomers liability A/C	Dr. Party A/C
Dr. PAD A/C	Cr. PAD A/C
Cr. HO/ID A/C	Cr. Income A/C

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4.4.4 Parties to a Letter of Credit

- The issuing Bank
- The Confirming Bank, if any and
- The Beneficiary

Other parties, which facilitate the Documentary Credit

- The applicant
- The advising bank
- The nominated paying /Negotiating/ Accepting Bank
- The Transferring Bank.

Opening /issuing bank

Opening or Issuing bank is the bank which opens/issues a L/C on behalf of the importer. It is also called the importer's/buyer's bank.

Confirming Bank

Confirming bank is a Bank which adds its confirmation to the credit and it is done at the request of the issuing bank. The confirming bank may or may not be the advising bank.

Exporter's /Seller/ Beneficiary

Exporter/Seller/Beneficiary is the party in whose favor the L/C is established.

Importer/Buyer

Applicant is the person who requests the opening bank to open a L/C. He is also known as importer/buyer/Consignee.

Advising/Notifying Bank

Advising bank is the bank through which the L/C is advised to the exporter. It is a bank situated usually in the exporting country and it may be a branch of the opening g bank or a correspondent bank. It may also assume the role of confirming and/or negotiating bank depending upon the conditions of the credit.

Negotiating Bank

Negotiating bank is the bank, which negotiates the bill and pays the amount to the beneficiary. It has to carefully scrutinize the documentary credit before negotiation in order to see whether the documents apparently are in order or not. The advising bank and the negotiating bank may or may not be one and the same. Sometimes it can also be the confirming bank.

Paying/Accepting Bank

Paying bank is the bank on whom the bill will be drawn. It is nominated in the credit to make payments against stipulated documents complying with the terms of the credit. It may or may not be the issuing bank.

Reimbursing Bank

Reimbursing bank is the bank, which would reimburse the negotiating bank. It is to be nominated by the issuing bank.

Transferring bank

Transferring bank is the bank which will transfer the L/C, being instructed by the original beneficiary.

4.4.5 Special Documentary Credit**Revolving Credit**

The revolving credit is one that provides for restoring the credit to the original amount after it has been utilized. How many times it will be taking place must be specially mentioned in the credit. The revolving credit may be either cumulative or non-cumulative.

Transferable Credit

A transferable credit is one that can be transferred by the original beneficiary in full or in part to one or more subsequent beneficiaries. Such credit can be transferred once only, unless otherwise specified. Fractions of a transferable credit can be transferred separately, provided partial shipments are not prohibited.

Back to Back Credit

The Back to Back Credit is a new type of credit opened on the basis of an original credit in favor of another beneficiary. Under the back to back concept, the seller as the beneficiary of the first credit offers it as security to the advising bank for the issuance of the second credit. The beneficiary of the back to back credit may be located inside or outside the original beneficiary country.

Red Clause Credit

A red clause credit is a credit with a special condition incorporate into it that authorities the confirming Bank or any other Nominated Bank to make advances to the Beneficiary before presentation of the documents. Under the above credit, the opening bank is liable for the pre-shipment advances made by the negotiated bank, in case the beneficiary fails to repay or deliver the documents for negotiation.

Standby Credits

The Standby Credit is a documentary credit or similar arrangement, however named or described, which represents an obligation to the Beneficiary on the part of the issuing bank to – repay money borrowed by the applicant, or advanced to or for the account of the applicant, make the payment on account of any indebtedness undertaken by the applicant, or make payment on account of any default by the applicant in the performance of an obligation.

4.4.6 Shipping Documents Required Under Documentary Credit

Following types of shipping documents are used in L/C operation –

- A. Transport Documents
- B. Commercial Invoice
- C. Insurance Documents
- D. Other Documents

A. Transport Documents

The following transport documents are being used at present in the international trade -

- i. Bill of Lading
- ii. Airway bill/ Air Consignment Note
- iii. Roadway Bill/ Truck Receipt
- iv. Railway Receipt
- v. Postal Receipt
- vi. Courier Receipt

Bill of Lading

The bill of lading is the most important documents in international trade. It is signed by the master of the ship or shipping company or its agents acknowledging receipt of specified goods on board of the vessel for carriage which are deliverable to the consignee named in the bill, or to his order or his assignees in the same condition as they were received at an agreed destination on payment of a remuneration called freight.

A bill of lading is not a negotiable instrument though it has some features of negotiability. It can be transferred by endorsement. The bill of lading serves three main purposes,

- As document of title of goods.
- As a receipt from the shipping company
- As a contract for transportation of the goods

Airway Bill/Air consignment Note

Airway bills / Air consignment notes are receipts evidencing the delivery of goods to an airline or its agent for transportation by air to a named consignee according to the defined and agreed terms. Airway bills /Air Consignment Notes are not negotiable instruments but still in most of the cases the airway bills are made out in favor of banks where the goods are consigned and so the financial interest of the exporter are well looked after.

Roadway Bill/ Truck Receipt

It is an internationally approved document of transportation when goods are sent by roads.

Railway Receipt

The Railway receipt/Railway consignment note is a receipt which is issued by the railway authorities when the exporter or his agent delivers a consignment to them for its onward carriage to a named destination indicating the details of the consignment and destination to which they would carry it.

Postal Receipt

It is receipt issued by the Post Office for the parcel they have received for direct delivery to the addressee.

Courier Receipt

It is a receipt issued by the courier service for the goods they have received/picked up for direct delivery to the addressee.

Contents of Transport Documents

In order to examine or recognize a transport documents it is very important to know its contents. A full-fledged transport document should contain the following information-

- Name of the carrier and be signed
- Description of goods
- Identifying marks and number
- The name of the carrying vessel or the intended vessel
- An indication of dispatch or taking in charge or loading on board and the place of final destination.
- Whether the freight has been paid or to be paid
- Terms and conditions of the carriage
- Date of issuance

B. Commercial invoice

A commercial invoice is the seller's bill for the merchandise. It is drawn up by the seller on his business letter-head and contains full details of the goods shipped or dispatched. As such it is also termed as the description of goods dispatched. It contains full name and address of the consignee, quantity, quality, unit price and total price of the goods. Commercial invoice does not have any standard form. Each exporter designs his own commercial invoice according to his requirement.

Types of commercial invoice-

- Consular Invoice
- Pro-forma Invoice
- Customs Invoice
- Certified Invoice

Consular Invoice

It is a special type of invoice which is required by some countries. It is an invoice made out in a specially printed form of the shipper and is shown as being correct in all respect before the consul of importing country stationed in the exporter's country. The consul of the importing country may certify the invoice. It can also contain the declaration of the origin of goods. A consular invoice enables the importing country to have all accurate record of the merchandise shipped.

Pro-forma Invoice

Pro-forma invoice is a memorandum of the terms of contract of sale wherein the seller gives the quotation to the buyer. If the buyer approves the terms he sends a definite order for supply. Such invoice is marked with the words "Pro-forma Invoice".

Customs Invoice

It is also a special type of invoice which can be certified by the custom authority as directed in the letter of credit. It depends on the demand of the importer or his country.

Certified Invoice

It is also a special type of invoice, which can be certified by the person or authority in the importers country who has inspected the goods and found in accordance with the letter of credit. It is also certified as the goods are of specific country of origin.

Contents of Invoice

The commercial invoice usually contents quality, quantity, unit price, total value etc. of the goods. It also contains complete reference of the letter of credit number, the related import license number and date, particulars of packages and identification mark on the packages and goods. The name of the carrying vessel and date, port of discharge are also recorded on the commercial invoice.

C. Insurance Documents

Insurance policies are subject to average. The term average is used in marine insurance in a special sense. It means damage or loss.

General Average

A general average is a loss which is incurred for the common safety of all interest connected with the marine adventure. In order to protect the whole property or the ship or the cargo or to enable the ship to proceed safely to destination the results of the voluntary sacrifice are made.

Particular average

Particular average is a partial loss not the general loss, loss suffered by the insured goods and is caused by the particular peril for which the subject matter is insured against.

Contents of Insurance Documents

An insurance document generally contains the following information-

- The name of the insurer or his agent
- The name of the ship/Carrier
- The name of the assured
- The subject matter of insurance
- The time or the voyage insured
- The peril insured against
- The date and subscription
- The valuation
- The stamp

D. Other Documents

- Weight list/Certificate
- Packing list
- Certificate of Origin
- Inspection Certificate
- Health, Veterinary and Sanitary certificate
- Phyto Sanitary Certificate
- Certificate of Analysis

Weight Certificate

It is a certificate which indicates the weight of the goods and the weight should show in all the documents.

Packing list

This list is prepared by the exporter showing item by item, the contents of the containers or cases to enable the importer to check the shipment. It should contain the description of goods, net weight and gross weight, measurement etc.

Certificate of Origin

A certificate of origin is statement evidencing the origin of the goods and it is required in compliance with exchange control regulation in the importing country. This certificate form is a part of the shipping documents.

Inspection Certificate

This is a certificate declaring that the goods have been examined and found to be in accordance with the letter of credit. This is signed by the manufacturer or supplier.

Health, Veterinary and Sanitary Certificate

This certificate is an evidence of quality in order to meet health requirements in the country of destination or to satisfy the importer about the precise strength or chemical composition of the goods.

Phyto Sanitary Certificate

Phyto sanitary certificate is required for perishable items, such as, vegetables.

Certificate of Analysis

Certificate of analysis is a certificate issued by an independent authority accepted by the buyers and sellers who undertakes a sample checking of some particular type of goods concerning the strength of metal or chemical content and its quality.

4.5 EXPORT

Chowdhury, L. (2011), says, by the export we mean out earning of anything from one country to another. Export as sending of visible things outside the country for sale. Export trade plays a vital role in the development process of an economy. Import payment is settled with the export earnings.

4.5.1 Export Procedure of RBL

In the export processing various functions are done by the bank among them L/C advising and negotiations are very important. When a L/C comes to the bank for advising then exporter is informed by the bank. After getting the L/C exporter goes to prepare the goods as per L/C terms and conditions. After making the shipment exporter comes to the bank for negotiation. If bank finds all documents comply with the terms and conditions of the letter of credit then the bill is negotiated. Party finds the bill value and bank send the documents to the letter of credit issuing bank claiming the L/C value as per terms and conditions.

Preparation of export documents

These documents are prepared before the export shipment -

- i. Bill of exchange /draft
- ii. Commercial invoice
- iii. Bill of lading
- iv. Inspection certificate
- v. Packing list
- vi. Shipment advice
- vii. Certificate of origin
- viii. Weight certificate
- ix. Certificate of analysis
- x. DHL courier Receipt

Export documents checking

These Export documents are checked very carefully before shipment –

- a. L/C restricted or not.
- b. Exporter has to submit documents before expiry date of the credit.
- c. Shortage of documents.
- d. Each and every point is verified with the L/C.

Flow chart for export

1. Goods ready for shipment
2. Inspection of the goods from the competent authority as per L/C terms
3. Preparation of invoice and packing list and vessel booking particulars
4. Papers to be sent to the C&F agent for shipment
5. C&F will conduct the custom formalities. Checking the goods as per invoice & packing list inspection report.
6. C&F will take the permission for shipment/handover the goods to shipping co.
7. After completion of all custom formalities, the nominating shipping co. received the goods for sail/load in the ship and issued a receipt which is known as mates receipt.
8. Handing over the shipping receipt to the exporter by the C&F agent, original B/L may also be taken in payment of freight and other expenditure.
9. Exporter may dispatch the shipment advice to the importer directly as per L/C terms.
10. C&F agent receives the original B/L from the relative shipping co. and dispatches the same to the bank for negotiation or receives from the shipping co. directly.
11. Exporter submits all original and duplicate sets of documents to the opening bank for negotiation.
12. After negotiation bank should dispatch the documents to the opening bank for delivery of the goods from the port.
13. Opening bank lodges the documents and make payment to the negotiating bank A/C as per L/C terms.

Export Financing

Pre-shipment finance is an advance granted by a bank to an exporter to meet the cost up to the packing of goods for export to overseas buyer. This is done in the pre-shipment stage. So it is also called pre-shipment advance. The purpose of the investment is for purchase of raw materials for finished goods or manufacturing processing, packing transporting up to warehoused /port of shipment etc. for export. Pre shipment is an advance for procurement of finished goods.

Issuance of Proceeds Realization Certificate (PRC)

Sometimes exporters require proceeds realization certificate to submit to the Govt. Agencies for refund of Duty draw back. After realization of the proceeds branch is issue PRC.

4.6 FOREIGN REMITTANCE

According to *Chowdhury, L. (2011)*, remittance means transfer of Money/Fund from one place to another place/country through banking channel. Money send by wage earners' through abroad is called Foreign Remittance. In a broad sense, Foreign Remittance includes purchase and sales of all Foreign Bills and currency on account of Import & Export transaction/payment and other purposes. Remittance means transfer of Money/Fund from one place to another place/country through banking channel.

Inward Foreign Remittance (Incoming Foreign Remittance): Private Remittance, Indenting Commission, Recruiting Agents Commission, Export Bills, Importers Claim, Gift, Donation, Foreign Loan, Service Charges, FC Notes etc. (Inward Remittance by different Exchange House or Company through the NRTK account: Demand Draft, TT, Instant cash payment etc.)

Outward Foreign Remittance (Outgoing Foreign Remittance): Travel Expenses (Cash FC, TC), Medical Expenses, Education Expenses, Examination/Tuition Fees, Membership Fees, profit/dividend of Foreign Investment, Service Charges, Insurance Premium, Hajj Travel Expense, Foreign Loan Repayment, Consultation fees, Import Payment etc.

4.6.1 Parties of Foreign Remittance

The four major parties of remittances are:

- a. Remitter
- b. Remitting Bank
- c. Receiving Bank
- d. Beneficiary.

Remitter

Remitter is the people or organization who is sending foreign currency from one country to another country. Bangladeshi workers who are living in various parts of the world and send foreign currency to Bangladesh such as commissions, salary etc. are remitters.

Remitting Bank

Bank of foreign country by which foreign currency are sending is called remitting bank. Foreign currency has to be sent by through banking channel.

Receiving Bank

Receiving bank is the bank to which foreign currency are sent. Remitting bank use the SWIFT communication with the receiving bank and transfer the currency to the bank where remitter wants to deposit the currency.

Beneficiary

Remitter selects the name to which the currency will be sent. This people or organization is the beneficiary.

4.6.2 Modes of Foreign Remittance

There are various types of remitting money, such as:

Pay Order: Payment Order is used for making a remittance to the local beneficiary. Pay Order gives the payee the right to claim payment from the issuing bank. It can be encashed from issuing bank only. Unlike cheque, there is no possibility of dishonoring pay order because before issuing pay order bank takes out the money of the Pay Order in advance. Pay Order cannot be endorsed or crossed and so it is not negotiable instrument.

Local Demand Draft: Demand Draft (DD) is an order of issuing bank on another branch of the same bank to pay specified sum of money to the payee on demand that is the named person or order of the demand. It is generally issued when customer wants to remit money in any place, which is outside of the clearing house area of issuing branch. Payee can be a purchaser himself or another mentioned in the DD. It is a negotiable instrument and it can be crossed or not crossed.

Foreign Demand Draft: Foreign Demand Draft (FDD) is an order of issuing Foreign Bank/Exchange Company on a branch of a bank to pay specified sum of money to the payee on demand. It is generally issued when customer wants to remit money in any place, which is outside of the country of issuing bank. Payee can be purchaser himself or another mentioned in the FDD. It is a negotiable instrument and it can be crossed or not crossed.

Telegraphic Transfer (TT)

This Method transfers money from one place to another place by telegraphic message. The sender branch will request another branch to pay required money to the stipulated payee on demand. Generally for such kind of transfer payee should have account with the paying bank. Otherwise it is very difficult for the paying bank to recognize the exact payee. When sending money is urgent then the bank uses telephone for remittance. This service is only provided for valued customers, who is very reliable and with which banks have long standing relationship.

Foreign Telegraphic Transfer (FTT)

Foreign Telegraphic Transfer (FTT) is an order of issuing Foreign Bank/Exchange Company on a bank to pay specified sum of money to the payee. It is generally issued when customer wants to remit money in any place, which is outside of the country of issuing bank. After receiving the FTT's order local bank can issue TT/TTPO like its local TT operation for remitting the fund to stipulated beneficiary.

Mail Transfer (MT)

When the remitter desires the banker to remit the funds to the payee instead of purchasing a draft himself the banker does it through a mail transfer advice. The payee must have an account with the paying office as the amount remitted in such a manner is meant for credit to the payee's account and not for cash payment. It is the least used technique for transferring fund. Where there is no telex machine or telephone line then this method is used.

4.6.3 Foreign Remittance Trade Mechanism of Rupali Bank Ltd.

Rupali Bank Ltd acquires foreign remittance by purchasing foreign currency through exchange rate and its export business. Foreign currency sells through import business and also sells in local market.

The remittance trade mechanism of RBL includes –

- i) Purchasing of foreign currencies
- ii) Selling of foreign currencies
- iii) Selling of foreign currencies in local market
- iv) Front office activities
- v) Back office activities

Purchasing of Foreign Currencies

Rupali Bank purchases foreign currencies i.e. US Dollar (USD), British Pound Sterling (GBP), and other currencies by giving exchange rate. At present, Rupali Bank has established Taka Drawing Arrangement for purchasing Foreign Currencies with 21(twenty one) Exchange Companies in different countries like UK, USA, Canada, UAE, Oman, Qatar, Bahrain, Kuwait etc.

Selling of Foreign Currencies

Every day Rupali Bank sells foreign currencies i.e. US Dollar, British Pound Sterling, and any other currencies through competitive rate in local market and invests in its import business. To purchase any kinds of goods/products from abroad it is required to make Letter of Credit (L/C), which requires foreign currency. Rupali Bank invests foreign currencies in its import business while making L/Cs through its 27 Authorised Dealer (A/D) Branches. The surplus amount of foreign currencies sells in local market.

Selling of Foreign Currencies in local market

The Bank maintains two offices in selling foreign currencies i.e. Front Office and Back Office.

Dealing Room activities i.e. Front Office's Activities

Front Office sells the surplus amount of foreign currencies in local foreign currencies market (i.e. sells foreign currencies to other local banks/financial institutes) in a specific competitive rate. Dealer makes the deal confirmation to other bank over telephone in a specific rate/period from front office and then they sent deal ticket to back office. The Back Office does other documentary work. The Dealer maintains three rates while selling and purchasing foreign currencies i.e. Spot Rate, Forward Rate and Cross Rate in Rupali Bank.

Spot Rate is used in buying and selling of currencies in the same day. In this system, purchasing or selling of currencies in the prevailing rate of the purchasing date.

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Forward Rate is used in buying and selling of currencies in a specific forward day. In this system, purchasing or selling of currencies in the date of contact in a fixed rate after certain date.

Cross Rate is used in buying and selling of currencies through cross rate for third currency i.e. dividing/multiplying one currency by another currency other than local currency.

Back Office's Activities

Back Office maintains all the required registers for proper handling currency market. Back Office provides all the documentary support of deal confirmation. After completion of deal by the Dealers, Back Office makes all necessary papers in respect of deal send it to respective bank to effect payment.

Facilities allowed in connection with foreign remittance

- i. No commission is collected for collection of draft money from branches of the same bank.
- ii. Payment of remittance money within three days.
- iii. Customers can make any complain regarding the payment of money through compliance cell.

Chapter Five

STUDY RESULTS AND FINDINGS

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5.1 Present Scenario of FE Business of RBL

Market price per share of RBL

Rupali Bank Ltd. market price per share for last four years is given below –

(In taka)

Year	2011	2012	2013	2014
Price	136.60	79.40	65.20	59.20

Table 2: Market price per share of RBL

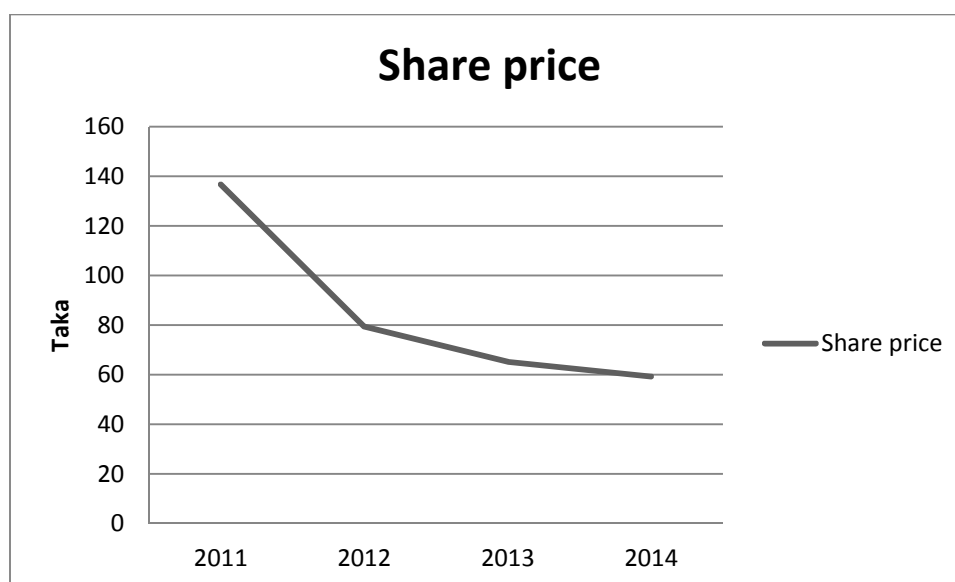


Figure 7: Market price per share of RBL

Analysis

From figure 10 we see that, share price of Rupali Bank Ltd. is decreasing year by year. The price decreased 9.20% from the last fiscal year. This is mainly because it's average performance in the market and also increase in the number of shareholders.

Return on shareholder's fund

The return on shareholder's fund scenario for the last two years is given below –

(In percentage))

Year	2013	2014
Return	17.37%	17.10%

Table 3: return on shareholder's fund

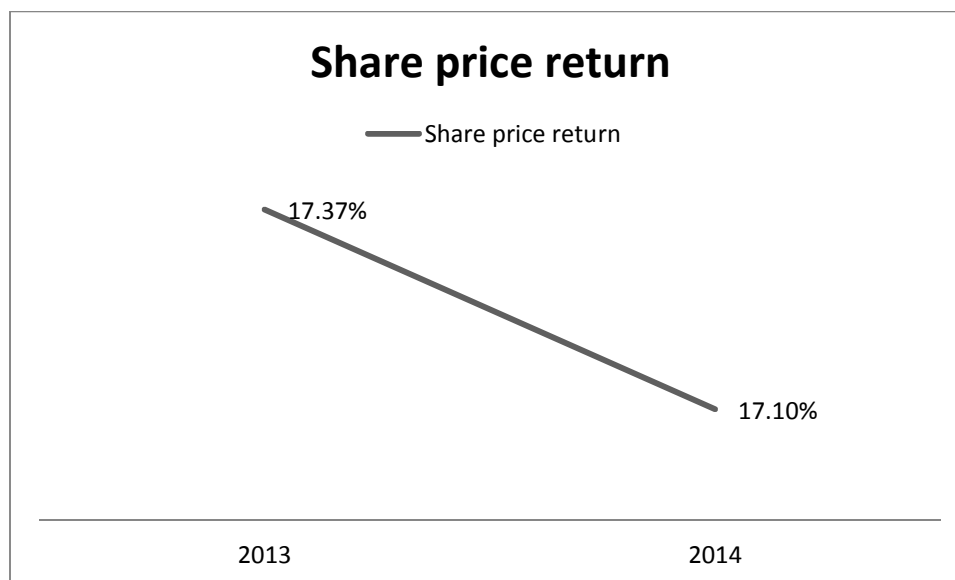


Figure 8: Return on shareholder's fund

Analysis

From figure 11 we see, the percentage return on shareholder's investment or fund decreased from the previous year. In 2013 it was 17.37% but it reduced to 17.10% in 2014. This is mainly because the decrease in the share prices in the market and average market performance of Rupali Bank Ltd.

Deposit of RBL

Rupali Bank Ltd. deposit figures for last five years are given below –

(In million)

Year	2010	2011	2012	2013	2014
Deposit	9112.38	10723.40	13659.88	17795.64	22165.68

Table 4: Deposit of RBL

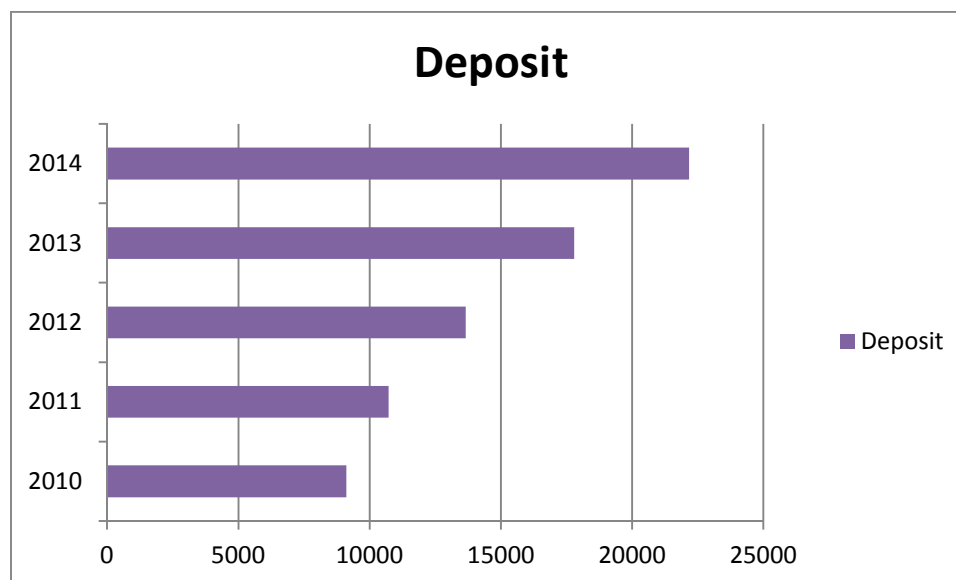


Figure 9: Deposit of RBL

Analysis

From figure 12 we see, Rupali Bank Ltd. is getting increasing number of deposits year by year. The deposit increased 24.55% from 2013 to 2014. It shows the healthy amount of deposit performance of Rupali Bank Ltd.

Loans and advances of RBL

Rupali Bank Ltd. loans and advance figures for last five years are shown below –

(In million)

Year	2010	2011	2012	2013	2014
Loans and advances	6604.90	7652.49	9064.16	10742.63	12501.20

Table 5: Loans and advances of RBL

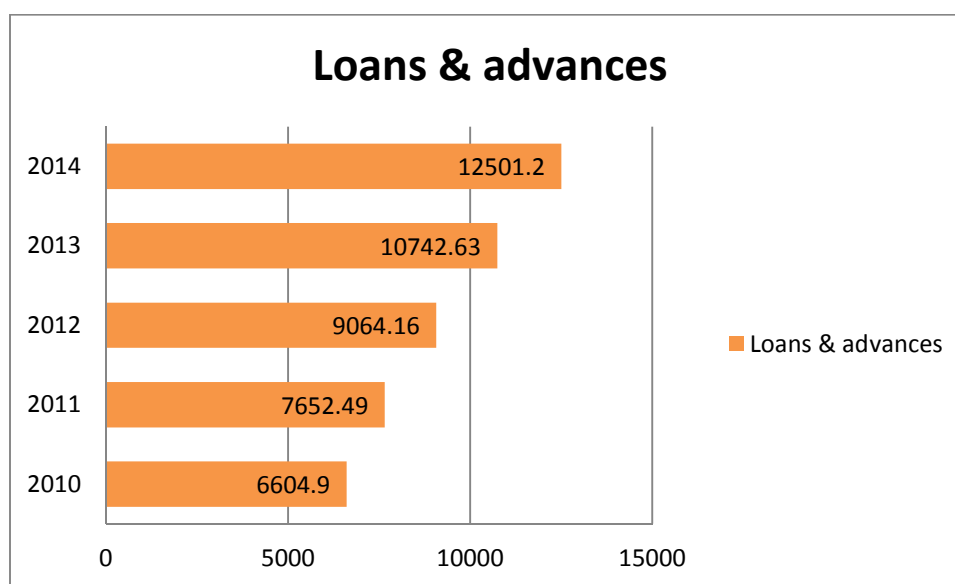


Figure 10: Loans and advances of RBL

Analysis

From figure 13 we see, the amount of money or loans and advances Rupali Bank Ltd. is providing is increasing every year. The amount of loans and advances increased from 2013 to 2014 is 16.37%. this indicates Rupali Bank is spending most of its deposits into providing loans and advances.

Import performance

Import performance of last five years for RBL is given below –

(In million)

Year	2010	2011	2012	2013	2014
Import	6024	6926	4510.82	6516.51	7798.49

Table 6: Import performance

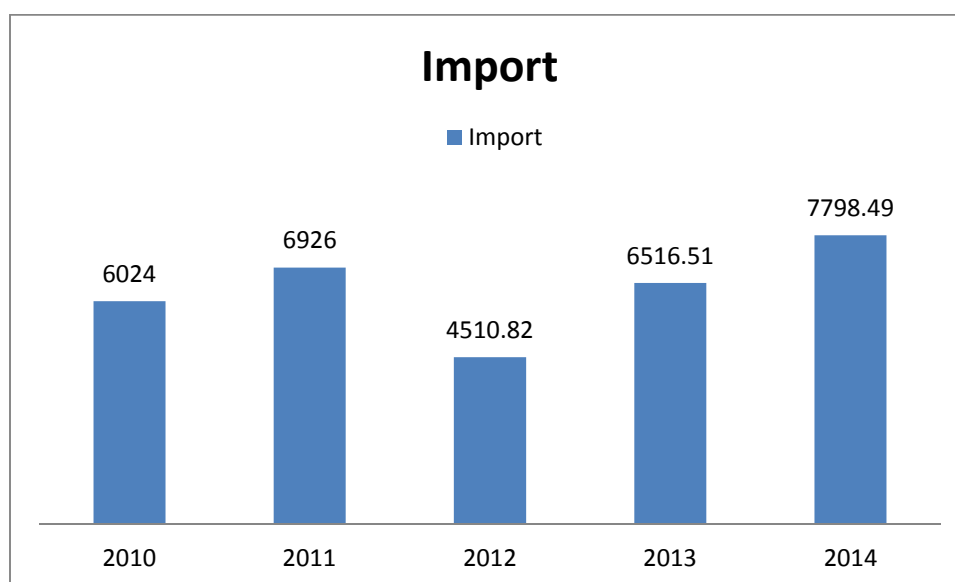


Figure 11: Import performance

Analysis

From figure 14 we see that, Rupali Bank Ltd. is handling increasing number of Import L/C every year. The increase in the Import L/C is 19.67% from 2013 to 2014. This is a general trend of our international business that we import more because we have greater demand than local production and supply.

Export Performance

Export performance of last five years for RBL indicates that,

(In million)					
Year	2010	2011	2012	2013	2014
Export	849	1351.31	1550.58	1817.08	1941.31

Table 6: Export performance

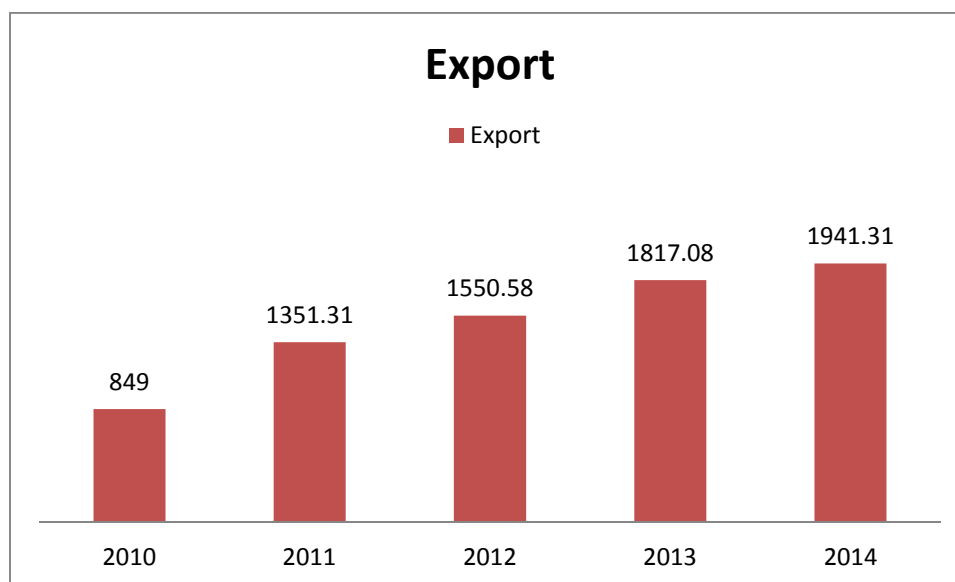


Figure 12: Export performance

Analysis

From figure 15 we see that, Export L/C are increasing slowly and steadily but lagging behind than import. The export L/C increased 6.83% from 2013 to 2014. This is because we do not have the luxury of different export products to export in another country. Our export products and exporters are limited by the resource constraints.

Foreign Remittance Performance

Foreign Remittance Performance of last five years for RBL indicates that,

(In million)					
Year	2010	2011	2012	2013	2014
Remittance	787.94	672.19	958.64	1087.51	1453.43

Table 7: Remittance performance

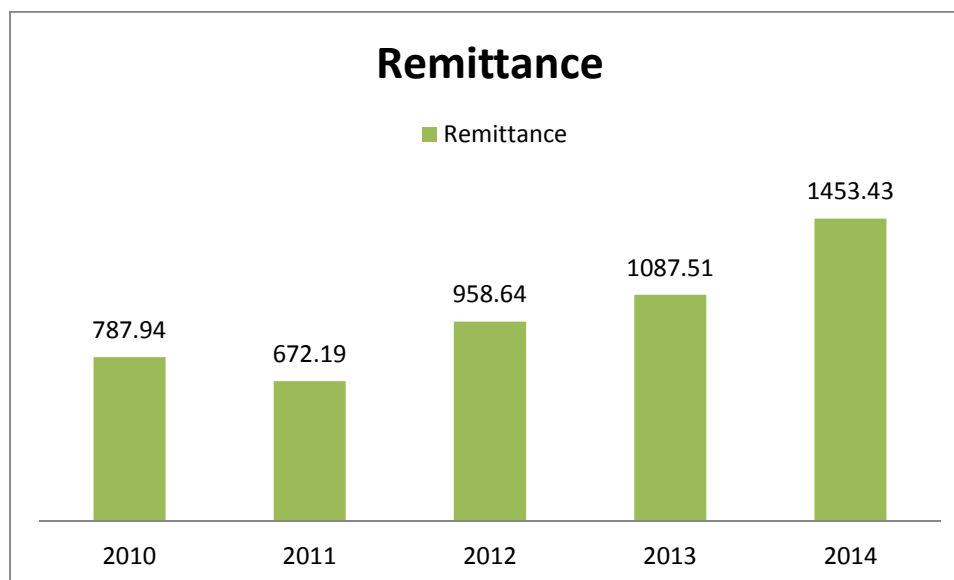


Figure 13: Remittance Performance

Analysis

From figure 16 we see that, Rupali Bank Ltd. remittance is increasing at an increasing rate and with proper measure the rate can be increased even more. The foreign remittance amount increased sharply 33.64% from 2013 to 2014. Remittance is increasing every year because of the money sent by the expatriates living abroad.

Overall FE performance of 2014

The overall foreign exchange scenario of Rupali Bank Ltd. in 2014 is shown below –

(In million)

Import – 7798.49	Export – 1941.31	Remittance – 1453.43
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Table 8: Overall performance 2014

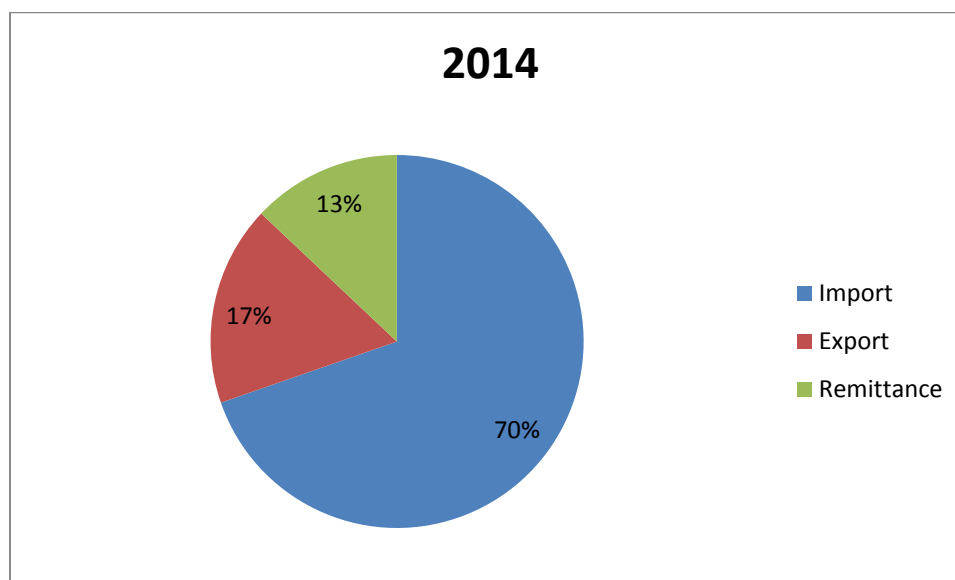


Figure 14: Overall performance of 2014

Analysis

Figure 17 shows that, the overall foreign exchange scenario of RBL for the year 2014, it is doing major business with Import L/C. RBL have more importers than exporters. Export L/C finding it difficult to increase because of lack of export products and exporters. This is the main reason of export's lagging behind than import. Foreign remittance is coming in big numbers from abroad every year but needs to improve the current situation. With more advanced technology and service Rupali Bank may improve its remittance performance.

5.2 Major Problems of FE Business of RBL

The trend of foreign remittance over the period from 2004 to 2014 is in increasing trend. Whereas import and export business has downward trend in some years. The gradual increase of total amount of foreign remittance during the last nine years indicates that the foreign remittance business of Rupali Bank limited is stronger compared with the import and export business. The following are the major findings of the analysis-

- i. Rupali Bank Ltd. has no foreign exchange marketing policy to develop the foreign exchange business.
- ii. Rupali Bank Ltd. is lagging behind its counterparts in remittance business as regards automation/computerization of transactions. RBL has not yet gone for fully online banking that is very much required for quick delivery of remittance instructions. Some payment messages require Branch, identification under the present system, which cause delay in settlement.
- iii. No. of AD branches are not enough to increase the business volume and all existing AD branches are not doing both import and export business.
- iv. Manpower shortage is one of the notable weak points of Rupali Bank Limited that creates serious problem in handling foreign exchange business. Skilled foreign exchange employees are going on retirement. Expert employees are not replaced in the vacant positions.
- v. Most of the AD branches are doing business with the existing customers.
- vi. Ensuring timely delivery and quality services relating to foreign exchange business depends on the availability of logistic support. Major branches are not equipped with sufficient support instruments like phone, Fax, e-mail compared with other competitor banks.
- vii. Branch decoration is one of the important issues to attract the customer that is very poor situation in RBL.
- viii. Decision making power in branch level is not enough to take prompt decision regarding FE business in RBL.

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- ix. RBL has not yet introduced any deposit & investment scheme exclusively for expatriates/wage earners that will increase the foreign remittance.
- x. Foreign exchange training is not enough for the newly recruited employees than required.
- xi. RBL has got unique advantage of largest network with 535 branches located at different places of the country. This advantage can be utilized for capturing remittance of rural Expatriates.
- xii. As a nationalized bank, RBL has good reputation and mass people trust it to do any kind of transactions.
- xiii. Correspondence bank are not enough to increase the inflow of foreign remittance.
- xiv. RBL has made SWIFT arrangement with different banks. As some of the AD branches have SWIFT connectivity, it has competitive advantage over other commercial banks in handling remittance business and various messages of import and export.
- xv. Rupali Bank Ltd. has do not have strong research department to launch the new product, which would get competitive advantage over its competitors.
- xvi. Unstable situation of RBL regarding selling the bank has lost the image and some important clients have left the bank.

Chapter Six

CONCLUSION & RECOMMENDATIONS

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CHAPTER VI

CONCLUSION & RECOMMENDATIONS

6.1 Conclusion

Foreign exchange business has a great impact on banks overall business development. To accomplish foreign exchange business it needs foreign currency. Foreign remittance send by expatriates is one of the sources of foreign currency. Banks needs huge amount of foreign currency to make the import payments. Banks can buy foreign currency from the inter-bank market that will reduce the profit. Export business is another source of foreign remittance. So, it is clear that import, export and foreign remittance are interrelated among each other. Our government gives more emphasize in collecting foreign remittance from abroad as it increases our foreign currency reserve.

Rupali Bank Ltd. should increase its AD branches to increase foreign exchange business. Some of the AD branches are not doing both importing and exporting business. So, these AD branches should start all type of business. It is found that the volume of foreign remittance is better than import and export business. All the branch of RBL are engaged for foreign remittance transactions that's why volume of foreign remittance is highest. Compared with the export, import volume is higher. From the above study it can be said that if RBL takes proper steps for arranging easier way for inflow of foreign remittance and skilled manpower are placed for providing better service, then the inflow of foreign remittance will be increased significantly. For export, invention of new product, diversification of traditional goods like jute, searching new destinations, build up backward-linkage industries, providing incentives to exporters etc. are obvious for increasing export-remittance.

To flourish the foreign exchange business all three types of business have to be increased. Maximum clients of RBL are doing one type of business import or export. Most of the clients are importer. Few clients are doing export business. RBL have to encourage all clients to do all types of business. Bank should provide special types of service to the clients and give information for prospective opportunity for the import or export

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6.2 Recommendations

In modern world we consider time as money. Right decision at the right time will bring expected result for the bank. Therefore, the following steps should be taken for the overcoming existing limitations of bank and overall development of the foreign exchange business of Rupali Bank Limited.

- i. It is recommended to introduce Online Banking system to attract customer and provide better customer service. At present RBL has no online banking system yet for which bank cannot provide customer service promptly. Some banks are providing ATM/Debit/Credit card and Evening banking facility from any of their branches, but Rupali Bank does not have ATM/Debit/Credit card and Evening banking facilities in all the branches. Rupali Bank should introduce ATM/Debit/Credit card and Evening banking facility in all of their branches. Elite businessman of the country does foreign exchange business. They expect all facilities to run their business smoothly. If they find all the facilities they will be customer this bank.
- ii. The practice of marketing promotion policy is almost absent in Rupali Bank which will be a cause to its survival among all other new banks as the other banks are tremendously exercise to improve the marketing promotion. It is recommended RBL should exercise marketing promotion practice. RBL lost its image during the last couple years when govt. wanted to sell out the bank. For strengthening source of remittance, it is need to create/build up a positive image of RBL among expatriates & their beneficiaries by marketing and advertising. Bank may consider opening of a booth/counter at the airport for providing special services to expatriates. This is also advertisement for the bank in the important place. Advertisement in print media/newspapers may be published periodically through professional ad firms to attract the people who want to do foreign exchange business.
- iii. Shortage of manpower hampers its FE operation. It is recommended that RBL should employ more talented personnel. As expert officers are going on retirement then it will face serious crisis if enough employees are not recruited. Training is

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more effective way to make employees at the relevant department. All employees should get various types of training to make them skilled and all employees should get the opportunity to work all sorts of FE functions.

- iv. RBL has no special remittance cell. Sometimes customers face problems of queries. It is recommended that RBL should maintain a special remittance cell for prompt service. In order to ensure speedy delivery of remittance to the beneficiary, Bank may arrange for cash payment of money without having any account with the bank on the basis of identity card/ Passport/Driving license, Phone no.
- v. Exchange rate plays an important role in routing maximum remittance by the expatriates & the beneficiary/exchange houses. Spread of exchange gain from the cover fund may be lowered to attract more remittance. So the bank may take competitive advantages by offering market competitive rate.
- vi. Website of RBL should be enriched with all information regarding the foreign exchange relevant facilities. Most of importer and exporter want to take information regarding banks and its existing facilities from the website.
- vii. No. of AD Branches should increase and all types of function should do in all branches. If it is necessary to relocate some AD branches to strengthen the FE business. AD branches should be increased in the prospective places. It is found that some general branches are doing FE business those branches should make AD branches. RBL is doing business among the existing customer. New clients should be increased for importing and also for exporting products to increase the FE business.

- viii. Customer wants well-decorated environment. Branches have to be decorated in modernize way to attract the customer. Customer feels comfort in the modernized environment to work. Good working environment represent the bank to the mass people.

- ix. Customer wants instant response but branch cannot do it, as the power limit is restricted. Power limit have to be increased to make instant decision for any sort of function regarding foreign exchange business. When branch send proposal to the head office, it takes long time to find the decision. After waiting few days customers change their decision not to do business in this bank.

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