

JAMUNABANK



Inspiring Excellence

**An Internship Report on Export Operation and Short- Term
Financing of Jamuna Bank Limited**

Submitted to-

Mr. Showvonick Datta

Lecturer

BRAC Business School

Submitted by-

Md. Rifatul Bari

ID- 12104006

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Showvonik Datta

Lecturer

BRAC Business School

Subject: Submission of Internship Report (Spring 2016)

Sir,

It is my humble privilege to submit to you my internship report on **“Export Operation and Short- Term Financing of Jamuna Bank Limited”** that I was assigned to prepare as my graduation requirement.

I have started the report on 20th of April and finished it on 21st of May, 2016. My three month internship was commenced in Jamuna Bank’s Dhanmindi Branch. During the time frame I was appointed in the local export operation under foreign exchange department of the branch. The report contains critical analysis and observation of export operation of the branch as well as the competitive position of Jamuna Bank in the banking sector.

I hope this internship report will worth to meet your satisfaction and fulfill my graduation requirement.

Sincerely yours,

Md. Rifatul Bari

(ID- 12104006)

Acknowledgement

A successful conclusion of internship report requires support from various personnel and I was fortunate to have that support, direction, and supervision in every aspect from my academic and on field supervisors.

First of all I would like to thank beyond measure, grace and deep kindness of the Almighty Allah.

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I would also like to show my gratitude to Mr. Fazlul Quader Md. Bashet, Senior Executive Officer, Jamuna Bank Limited, Dhanmondi Branch for his on field supervision and practical guidance.

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Executive Summary

Banking sector in Bangladesh is underdeveloped but recent expansion of private banks has created an opportunity to grow in this highly competitive market. From the begging the banks were more traditional is service and was ideologically challenged in product innovation. Some of the multinational banks operating in Bangladesh created a vast opportunities for modern banking. Moreover, export business operation of the country is fully dependent on banking services. It is the one and only method of foreign transaction and currency conversion. The growing success of Textile sector has proved to be a worth full indicator for the banks to expand and increase the profitability. Almost every bank provides foreign exchange facilities. Thus this internship report is prepared by focusing on the export operation and short- term financing of Jamuna Bank Limited. The only focus of this report was to observe the export procedure and financing related with export operation. The internship started by describing the history of banks in Bangladesh and JBL's short introductory background. Then the report continued by describing different product and services offered by the bank. The internship was designed to provide the real life job experience and the later part was fully focused on the job description. The project of the report has been prepared to understand the overall export operation and financing (export bill purchase) of the bank. However, a critical analysis has also been done to show the performance of the bank comparing with other banks and also with its own branches. Finally, the report has conducted some recommendations for the bank as a suggestive tool for future improvement which might be helpful to expand and introduce new banking services to the customers.

Background of the Banking Sector in Bangladesh

As a developing country Bangladesh is highly dependable on its financial sector to achieve high economic growth. The future of the economy is not pretty much predictable but growth can be achieved through the advancement in financial operation of different sectors. Being a nation of third world countries, Bangladesh has a potentiality to grow its banking and investment sector but lack of expertise and services provided by the banks and other institutions saw a major vulnerability in recent past. Mostly, government owned banks are not so much keen on the development in technological and not conscious of providing satisfactory customer services. However, some notable private banks are doing exceptionally well in terms service and technology. But these achievements are over shadowed by the policies made by the government and executed the central bank of Bangladesh also known as Bangladesh Bank. Corruption and unethical activities against the banking policies are making this sector more vulnerable in terms of economic dysfunction.

As part of the Indian sub-continent, the banking sector in Bangladesh started in 1770 with establishment of “Bank of Hidostan” in Calcutta, but it was dissolved by the end of 1832 for lack of trading business. However, the first modern Bank Bangladesh was “Dacca Bank” established in 1846, headquartered in Dhaka. Later the bank was purchased by the “Bank of Bengal”. A significant change came in the banking sector of Bangladesh after the liberation war of 1971. At that time State Bank of Pakistan was renamed to “Bangladesh Bank”. Most of the banking facilities were available in urban areas. After the liberation, there were 6 nationalized and commercialized banks, 2 state owned specialized banks and 3 foreign banks. In 1980’s, the banking sector saw a significant expansion and growth with the establishment of private banks.

Now, banks in Bangladesh are primarily of two types:

- **Scheduled Banks**

Scheduled banks get the license to operate in Bangladesh under the Bank Company Act, 1991 (Amended up to 2013).

- **Non-Scheduled Banks**

Non-scheduled banks are established with special objectives and purpose. In fact, these banks are functioned to meet those objectives and also cannot perform the functions of scheduled banks.

There are 56 scheduled banks in Bangladesh. These banks are operated under full control and supervision of Bangladesh Bank. The Bangladesh Bank Order, 1972 and Bank Company Act, 1991 gives the right to do so. Scheduled Banks are classified into following kinds:

- **State Owned Commercial Banks (SOCBs)**

There are 6 SOCBs which are fully owned by the Government of Bangladesh and also operated under government supervision.

- **Specialized Banks (SDBs)**

For the development of agricultural or industrial sector 2 SDBs were established and are in operation. These banks are also fully owned by the Government of Bangladesh.

- **Private Commercial Banks (PCBs)**

There are 39 PCBs owned by mostly private entities and can be classified into two groups:

- **Conventional PCBs**

There are 31 conventional PCBs are now operating in Bangladesh. The operation is mainly on interest based.

- **Islami Shariah based PCBs**

8 Islami Shariah based banks are in operation in Bangladesh by maintaining the Islami Shariah. This kind of bank is operated based on Profit-Loss Sharing (PLS) method.

Export Operation and Short-Term Financing

- **Foreign Commercial Banks (FCBs)**

9 FCBs are operating in Bangladesh as the branches of the banks which are incorporated in abroad.

4 non-scheduled banks in Bangladesh are currently in operation:

- Ansar VDP Unnayan Bank
- Karmashangosthan Bank
- Probashi Kollyan Bank and
- Jubilee Bank

| Types of Bank | Number of Banks | |
|---------------------------|----------------------------|----|
| Scheduled Banks | SOCB's | 6 |
| | SDB's | 2 |
| | PCB's | 39 |
| | Conventional PCB's | 31 |
| | Islami Shariah Based PCB's | 8 |
| | FCB's | 9 |
| Non-Scheduled Bank | 4 | |

Figure 1: Number of Banks in Bangladesh

Project Overview

An initial requirement for the internship report is to focus on a scenario of the organization or observe the performance of the organization. In this internship report the project part is to be focused on the “Export Operation and Short- Term Financing” of Jamuna Bank Limited. The overall project is analyzed by comparing different branch operation of the same bank. Moreover, the bank’s performance of different financial indicators from the last five years has also been compared with the performance of other banking institutions. A relationship has been made to show the dependency of the export operation on the other variables of the financial indicators of the balance sheet. Finally, the outcome of the project would be giving us the clear view of the bank’s export operation and short-term financing.

Objective of the Project

The project is based on the export operation and short- time financing of foreign exchange department of Jamuna Bank Limited. The primary objective of the project is to gain theoretical knowledge and also to analyze and interpret the market scenario of the export operation. Other objectives includes-

- Gaining both theoretical and practical knowledge of export operation of JBL
- Understand the real life scenario of the foreign exchange scenario
- Obtaining a clear view on Bangladesh’s local and international exchange operation
- Observe the performance of Dhanmondi Branch comparing to other branches of JBL
- Articulate the performance of JBL in the competitive banking sector.

These are the core objectives which plays the vital role behind of preparing and analyzing this internship project. Thus the project will also lead to identify the current position of the bank in export scenario. It will also help us to predict the future growth of the bank.

Methodology

Methodology is the process of identifying the sources of data retrieved for preparing any documented report. There are two sources of data. They are-

Export Operation and Short-Term Financing

- Primary Data
- Secondary Data

The use of these two sources of data in this report is described below-

Primary Data

Primary data is the most reliable source of data for any kind of documented report or article preparation. Primary data is collected from primary sources like- interview, questionnaires, observations etc. Primary data retrieved for this report includes-

- Interview of the branch in charge of Foreign Exchange department
- Face to face conversations with different officers and executives
- Questionnaire prepared for collecting performance data of other branches

Secondary Data

Secondary source is less reliable than primary source. This type of source is internet or published article based. But a published source is more reliable than other sources of data. Secondary sources includes-

- **Internal source**
 - Annual Report Jamuna Bank Limited
 - Guideline of Foreign Exchange of JBL
 - JBL's informative website
- **External Source**
 - Published journals and articles from reliable source
 - Newspaper articles
 - Textbooks
 - Published annual reports of different banks
 - Bangladesh Bank guide line of foreign exchange

Thus these data are encrypted and presented in this report for clarifying the project objectives and also for analyzing the project outcomes.

Scope and Limitations of the Project

There are numerous data and information collected for preparing this report. However, there are some opportunities and lacking in this report. Scope of this report is extended to the market comparison of the export operation of different banks. The report is limited to the published reports, articles and journals. As it is a requirement for the graduating students to prepare the internship report, the characteristic of the report is more theoretical and personal observation based. However, to make the report more sound comparison different banks made it more logical to present this report. Some of the major limitations are discussed below-

- Export operation is a part of foreign exchange. Obtaining overall foreign exchange operation knowledge was limited to export operation only.
- Some of the branch information was highly prohibited for disclosing.
- Performance data is presented in none numerical manner (percentage) rather than numerical manner.
- 2015's operational data is not presented because the Annual General Meeting of Jamuna Bank Limited is yet to be held, where the latest annual report would go public.
- The report was prepared according to the JBL policy which prohibits disclosing confidential data.
- Practical knowledge was limited to Dhanmondi Branch. Export operation of other branches of JBL (Mohakhali and Gulshan) is textile sector based. Other sectors are small in number. So the information was little to offer.
- Comparing the performance with other banks was limited to secondary source of data
- Customer opinion was limited to the single branch and was not much reliable.

Though the limitations have a significant impact on this report but still the report has been crafted with reliable sources of data and personal observation.

Jamuna Bank Limited

Among all the 3rd generation banks of Bangladesh, Jamuna Bank Limited (JBL) has established its significant mark with its core banking system and services among its potential customers as well as in country's overall banking sector. JBL is registered under the Companies Act, 1994 of Bangladesh. The Bank started its operation from 3rd June 2001. Being one of the leading 3rd generation bank, JBL focuses on

- Remaining with time
- Managing change
- Developing human capital
- Creating true customer's value

Moreover, the potential outlook of country's overall economy is reasonably good in terms of domestic demand base, gradually improving investment, climate, decreasing uncertainty and reduced inflation. GDP is expected to grow as close as 7 percent by keeping the inflation in a reasonable rate. JBL is conscious about the economic terms to meet the potential local demand for a smooth economic growth. If we consider the performance overview of JBL in the financial year of 2014, the bank has achieved its potential commitments and had a significant growth in overall performance. As of 2015, the bank is expecting a potential improvement in its overall performance. In the financial year of 2015, JBL has an increased profit after tax value by 21.45% (recently published audit report).

The Bank provides all types of support to trade, commerce, industry and overall business of the country. JBL's finances are also available for the entrepreneurs to set up promising new ventures and BMRE of existing industrial units. JBL the only Bengali named 3rd generation private commercial bank, was established by a group of local entrepreneurs who are well reputed in the field of trade, commerce, industry and business of the country.

The Bank offers both conventional and Islamic banking through designated branches. 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. Since the need of customers is changing day

Export Operation and Short-Term Financing

by day with the changes of time, the bank endeavors its best to device strategies and introduce new products to cope with the change. JBL has already achieved tremendous progress within its past 15 years of operation. The bank has already built up reputation as one of quality service providers of the country.

At present, the Bank has real-time online banking branches (of both Urban and Rural areas) network throughout the country having smart IT-backbone. The Bank has admirable Remittance Tie-up with a good number of renowned exchange houses and banks throughout the world to facilitate the remittance services to the beneficiaries. Besides the bank has 102+ Branches network and 3,000+ ATM outlets (own & shared) throughout the Country.

JBL also has a strong Remittance Settlement/distribution Network with different Associate Banks & BEFTN (Bangladesh Electronic Fund Transfer Network). It also has arranged M-Remittance facilities with Grameenphone, Banglalink and ROBI.

| Division | Number of Branches |
|------------|--------------------|
| Dhaka | 53 |
| Chittagong | 22 |
| Rajshahi | 16 |
| Sylhet | 5 |
| Khulna | 6 |

Figure 2: Number of Branches as of Dec 31st 2015

Jamuna Bank Limited (Dhanmondi Branch)

This branch has started its journey at the mid 2000’s in one of the central part area of Dhanmondi, Dhaka. It is one of the core branches of Jamuna Bank Ltd. The branch offers day to day common banking services along with foreign exchange facilities. It also provides locker facilities to the customer. Currently, almost 40 employees are in operation to provide banking

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services to the customer. The branch is basically carrying the significant characteristics that JBL is committed to offer.

Jamuna Bank Chronicles at a Glance

| Time Frame | Description |
|--------------------|---|
| April 02, 2001 | Incorporation of the Company |
| June 03, 2001 | Commencement of Banking Business |
| June 03, 2001 | First Branch opening at Mohakhali |
| October 25, 2003 | First Islami Banking Branch opened at Nayabazar |
| December 11, 2003 | Licensed as a Primary Dealer |
| March 28, 2004 | First Dividend Declaration for income Year 2003@10% |
| December 12, 2005 | Initial Public Offering |
| April 12, 2006 | Listed with Dhaka Stock Exchange |
| April 17, 2006 | Listed with Chittagong Stock Exchange |
| September 09, 2007 | Increased Authorized Share Capital to BDT 400.00 Crore |
| October 16, 2008 | Space Purchased for Corporate Head Office at Gulshan |
| June 15, 2009 | Launching of SME Division |
| July 29, 2009 | Launching of SME/AGRI Branch |
| December 22, 2009 | Obtained Off Shore Banking License |
| December 23, 2009 | Jamuna Bank Capital Management Limited (Merchant Bank) |
| June 13, 2010 | Increased Authorized Share Capital to BDT 1000.00 Crore |
| December 25, 2010 | Jamuna Bank Model Village (Singpara, Thakurgaon) |
| February 07, 2011 | Insurance of Rights Shares |
| November 11, 2011 | Jamuna Bank Medical College & Hospital |
| February 18, 2013 | Jamuna Bank Securities Limited (Brokerage House) |

Figure 3: Jamuna Bank Chronicles

The Motto of Jamuna Bank

“Partner for Progress”

Jamuna Bank Limited reflects the indomitable commitment and conviction of the bank to ensure sustainable growth and advancement to their customers. Their determination is to fulfill the banking needs of people from different spheres of the society and business of different segment of the economy of the country by offering diversified products and superior services. As JBL’s customers endeavor to accomplish higher prosperity, the bank also strives to be the preferred partner for their customer’s financial growth.

Vision of JBL

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

Mission of JBL

The Bank is committed for 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 towards the development of the country can be ensured with a motivated and professional work-force.

Strategic Priorities

Any business institutions are more likely to be more focused on satisfying the customer's needs and demands. If we talk about the banking sector of Bangladesh, the overall scenario is much competitive than it looks. That is why JBL has set some priority based strategies to ensure the maximum level of customer satisfaction and meet its desired banking goal. Some of the prioritized strategies are-

- Delivering customer' desired products and services to create true customers' value.
- Focusing on export of both traditional and nontraditional items and remittance to ensure a comfortable position of foreign exchange all the time.
- Doing businesses that have higher risk adjusted return.
- Focusing on maintenance of assets quality rather than its aggressive expansion.
- Changing the deposit mix thereby reduce the cost of deposits.
- Ensuring all modern alternative delivery channels for easy access to our services by customers.
- Taking banking to the doorstep of our target group.
- Restructuring existing products and introducing new products to meet the demand of time and the target group.
- Entering into new avenues of business to increase profitability.
- Bringing unbanked people into our delivery channels.
- Increasing fee based service/activities where costly capital is not changed.
- Ensuring organizational efficiency by continuous improvement of human capital and motivation level, dissemination of information and thereby ensuring a sustainable growth of the organization.
- Maximizing shareholders' value at all times alongside ensuring a sustainable growth of the organization.
- Pursuing CSR activities for our continued support to future generation, distressed people and for advancement of underprivileged people of the country.
- Establishing the brand image as a growth supportive and pro-customers' bank.
- Strengthening risk management techniques and ensuring compliance culture.

Objectives

An organization establishes with a view to attain the objectives it made from the beginning. Without any objectives it is hard to identify or understand any organizations core values. JBL also have some objectives which it has been looking to achieve through its potential banking services. These are objectives that JBL wants to incur-

- 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.

Values

JBL carries some core values which are likely to be the most crucial part for bring the customers close to JBL's core banking services. The values are as follows below-

- Customer Focus
- Integrity
- Quality
- Teamwork

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- Respect for the individual
- Harmony
- Fairness
- Courtesy
- Commitment
- Respectable Citizenship
- Business Ethics
- Unique Culture

Ethical Practices

Ethics is something that has a significant impact in the organizations both internal and external environment. JBL's potential ethical practices are-

- JBL strictly complies with all rules and regulations
- It provides fair treatment to all stakeholders
- It maintains strict secrecy of our customers accounts
- It listens to its customers and work for their requirement
- It provides adequate disclosure of corporate information and operation results to share holder for taking suitable investment decision.
- It ensures work under highly motivated team spirit and fellowship bond
- JBL do not encourage projects which are not environment friendly
- JBL tries to extend assistance to the poor, helpless and distressed people as well as provide donation/sponsorships to sports, culture, health care and community development ventures as we are responsible corporate citizen of the country

Awards & Recognitions

Jamuna Bank Limited has achieved both local and international recognition for its consistent performance throughout its life cycle. The awards and recognitions helped JBL to grow more and provide consistent services to its valuable customer. A glimpse of awards and achievements are given below-

- “Certificate of Merit” award from ICAB in the 14th, 13th, 12th, 11th & 10th ICAB National Awards for the best published accounts and reports 2013, 2012, 2011 & 2010.
- Jamuna Bank Limited has been awarded as the best “Primary Dealer Bank” for the fifth time by Bangladesh Bank for its outstanding performances.
- International Trade Finance Award-
 - COMMERZBANK awarded “Trade Award” to Jamuna Bank Limited for excellent partnership.
 - ICICI Bank awarded best “Supporting Bank” award to Jamuna Bank Limited

These awards provide a clear picture of the Banks transparency and accountability to its published reports. It also shows the level of growth the bank has achieved so far by upholding its potential objectives. The bank is hopeful and also committed to maintain such performance in the upcoming years.

A glimpse of the Corporate Profile of Jamuna Bank Limited

| | |
|---|---|
| Name and Corporate Head Office | Jamuna Bank Limited Hadi Mansion (3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th floor), 2 Dilkusha C/A, Dhaka-1000 |
| Legal Form | Public Limited Company |
| Chairman | Mr. Gazi Golam Murtoza |
| Managing Director | Shafiqul Alam |
| Company Secretary | M A Rouf |
| Chief Financial Officer | Ashim Kumar Biswas |
| Legal Advisor | Bhuiyan Islam & Zaidi |
| Auditor | Syful Shamsul Alam & Co. |
| Credit Rating Agency | Credit Rating Agency of Bangladesh (CRAB) |
| Subsidiaries | |
| <ul style="list-style-type: none"> ○ Jamuna Bank Securities Limited (Brokerage House) ○ Jamuna Bank Capital Management Limited (Merchant Bank) ○ Jamuna Bank Foundatio | |

| Type | Number of Branches |
|--|---------------------------|
| Number of Promoters | 20 |
| Number of Directors | 20 |
| Number of Branches | 102 |
| Number of ATMs (Own + Shared) | 3000+ |
| Number of SME?AGRI Branches | 08 |
| Number of Islami Banking Branches | 02 |
| Off-Shore Banking Unit | 01 |

Figure 4: Corporate Profile of JBL

Operational Hierarchy of Jamuna Bank Limited

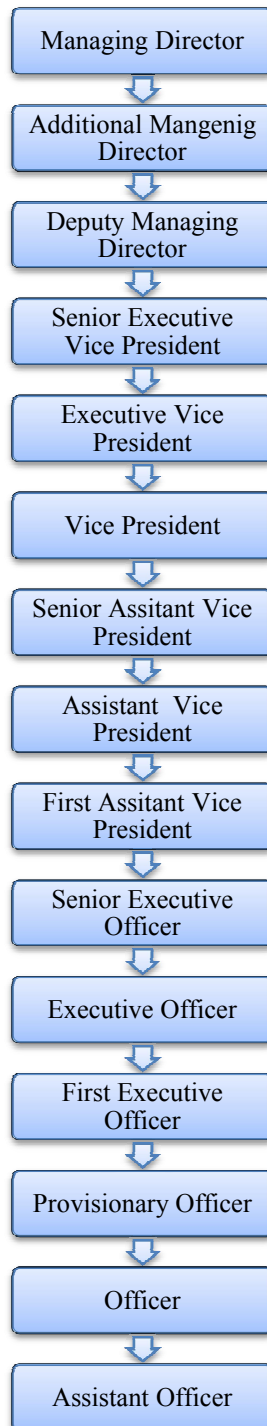


Figure 5: Operational Hierarchy

Product and Services Offered by Jamuna Bank Limited

Being a banking organization under the Companies Act, 1994 of Bangladesh JBL provides all sort of banking services to its valuable customers. Some, of the core banking services are-

- Retail Banking
- Cards and ADC
- Corporate Banking
- Islamic Banking
- SME Banking
- International Banking
- NRB Banking
- Treasury
- Locker Services
- Online Banking Service
- Student File
- BACH (Bangladesh Automated Clearing House)

“Retail Banking”

Deposit Products

- **Transaction Account**
 - Current Deposit (CD) Account
 - Short Notice Deposit (SND) Account
 - Savings Bank (SB) Account
 - Special Savings Bank Account (Grihini Savings Bank Deposit)
 - Resident Foreign Currency Deposit (RFCD) Accounts

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- **Fixed Deposit Receipt**

Generally JBL offers Fixed Deposit for 3 months, 6 months and 12 months tenors at attractive interest rates. However, a customer can have Fixed Deposit having a tenor more than 12 months under different schemes like-

- Lakhpati Deposit Scheme
- Millionaire Deposit Scheme
- Kotipati Deposit Scheme
- Double Growth Deposit Schemes (DGDS)
- Triple Growth Deposit Schemes (TGDS)
- Monthly Benefit Scheme (MBS)
- Monthly Savings Scheme
- Marriage Scheme
- Rural Deposit Scheme
- Mudaraba Hajj Savings Scheme
- Pension Deposit Scheme 2nd Choice
- Education Savings Scheme 2nd Choice

Loan Products

Loan is the main banking product which can be described as an asset for a bank. Loan is simply the product that most of the commercial banks offer to the customers. The amount of loan varies from a small to a big number depending on the customer's priority Banks incur more profits than the deposit. JBL's current loan products are-

- Auto Loan
- Any Purpose Loan
- Personal Loan
- Salary Loan

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- Doctors Loan
- Education Loan
- Overseas Job Loan

“Cards & ADC”

Cards

VISA Classic Credit Card

“Makes your life easy”

VISA Classic is a local currency card. This credit card will bring the ultimate power and flexibility to your life. Wherever you go, you can enjoy the power of using this Card in every corner of Bangladesh. All transactions in your Credit Card will be applied in Bangladeshi Taka in your monthly statement.

ADC (Alternative Delivery Channels)

- ATM

The bank is having more than 3000 owned and shared ATM booths throughout the country. Currently it is planning to reach up to 200 ATM booths of its own by the end of 2015.

- SMS & Mobile Banking Services

Currently, JBL is offering “Mutho Banking” which gives a complete mobile banking with less complexity. Account inquiries, recharge of mobile balance, utility bill payment etc. can be done easily.

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- Mobile Financial Services

“Sure Cash” a mobile financial service that offers- account opening, faster electronic fund transfer, safe payment, cash withdrawals etc

Currently, JBL is offering “Mutho Banking” which gives a complete mobile banking and services to any of its customer.

“Corporate Banking”

Corporate Banking of Jamuna Bank Limited offers customized corporate banking solution for both its local Business Houses as well as Multinational Companies. The axiom of JBL’s Corporate Banking services is to nurture Relationship Banking by maintaining strong relationship with leading corporate business houses of the country providing their requirement based financial and other banking services.

JBL’s Corporate Banking exposure is concentrated in diversified areas of business that include-

- Spinning
- Textile
- Garments
- Garments Accessories
- Iron & Steel
- Cement
- Building Materials
- Furniture & Furniture materials
- Edible Oil
- Food & Beverage items
- Various Trading
- Ship Building
- Ship Breaking

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- Infrastructure Building & Construction
- Electronics & Electrical Equipments
- Agro & Agro Products
- Transport
- Real Estate
- Telecommunication

JBL Corporate Banking offers a wide range of financial solutions through both Conventional and Islamic Banking products that include-

- Project Finance
- Working Capital Financing

Various working capital modes of finances that JBL offers for those business houses that procure raw materials/ Stocks-in-trade from local market are as follows:

- *Cash Credit (Hypothecation)* popularly known as CC (Hypo) that requires mainly for financing local procurement of raw materials/ Stocks-in-trade.
- *Time Loan* is a preferred mode of working capital finance for procuring local raw materials/stocks-in-trade.
- *Cash Credit (Pledge)* known as CC (Pledge) is offered for those business houses which cannot offer adequate/requisite collateral security.

JBL also offers services to Contractors/Suppliers like-

- Bid Bond
- Overdraft (Pay Order)
- Performance Guarantee (PG)
- Advance Payment Guarantee (APG)
- Overdraft (Work Order)
- Security Bond (Payment Guarantee)
- JBL also provides Guarantee against Counter Guarantee of any good rated foreign bank.

“Islami Banking Activities”

Besides conventional banking, Jamuna Bank Limited is carrying Islami Banking activities based on Islami Shariah principles. The first Islami Banking branch of the Bank opened on October 25, 2003 at Nayabazar in Dhaka. Afterwards its second branch opened on November 27, 2004 at Jubilee Road in Chittagong. Jamuna Bank Limited is committed to conduct business of its Islami Banking branches strictly complying Shariah requirements. A separate division has also been created at the Head Office.

Islami Banking branches receive deposits under two principles:

- Al-Wadeeah principle
- Mudaraba principle

Al-Wadeeah:

Fund which is deposited with bank by the depositors, with a clear permission to utilize or invest the same is called Al-Wadeeah. The bank has to pay back the deposits received on the principle of Al-Wadeeah on demand of the holders. The depositors have to pay govt. taxes and other charges, if any.

Mudaraba:

Mudaraba is a partnership of labor and capital, where one partner provides full capital and the other one manages the business. The capital provider is called Sahib-Al-Maal and the user of the capital is called Mudarib. The Mudaraba deposits include-

- Mudaraba Savings Deposits (MSD)
- Mudaraba Short Notice Deposits (MSND)
- Mudaraba Term Deposits (MTD)

“SME Banking”

Small and Medium Sized Enterprises (SME) are the key aspects for a developing nation. To accelerate the growth of these business institutions, financial sector has to be concerned about it. Moreover, to eradicate the financial crisis that these businesses are facing banks and other financial service providers should come with more enriched schemes. JBL’s current SME Banking products are-

- Jamuna Bonik
- Jamuna Chalantika
- Jamuna Green
- Jamuna Jantrik
- Jamuna Nari Uddogh
- Jamuna NGO Shohojogi
- Jamuna Shachchondo
- Jamuna Sommridhi
- Jamuna Swabolombi

“International Banking”

Correspondent Banking

JBL is maintaining correspondent banking relationship with 306 international banks around 85 countries in 836 different strategic locations worldwide to ensure the best and steadfast trade services. Presently the bank is maintaining 20 Nostro Accounts in different major currencies like- USD, GBP, EURO, JPY, CHF, SAR, AED and ACU Dollar with various reputable banks. The bank currently provides the following services smoothly-

- L/C Advising
- L/C Confirmation
- Bank Guarantee

Export Operation and Short-Term Financing

- Hajj Guarantee
- Purchasing/Discounting/Negotiating of export bills
- Off Shore Banking Services
- Trade payment settlement
- Foreign Remittance

Trade Finance

International Trade forms the major business activity undertaken by Jamuna Bank Ltd. The Bank with its worldwide correspondent network and close relationships with key financial institutions provides an extensive trade services network to handle beneficiary's transactions efficiently. JBL offers professional advice on all aspects of international trade requirements, namely-

- Issuing, advising and confirming of Documentary Credits.
- Pre-shipment and post-shipment finance.
- Negotiation and purchase of Export Bills.
- Discounting of Bills of Exchange.
- Collection of Bills.
- Foreign Currency Dealing etc.

Offshore Banking

An Offshore banking Unit (OBU) of a bank is a deemed foreign branch of the parent bank located within Bangladesh, and shall undertake international banking business involving foreign currency denominated assets & liabilities. An offshore bank is simply a bank based in a jurisdiction outside of your country of residence.

Jamuna Bank Limited offers the following range of Offshore Banking Services-

- Foreign Currency Deposits(Non Resident entitles and NRBs)
- Loan in Foreign Currencies
- Credit Facilities including Trade Financing
- Negotiation/Purchase of Export Bills

Export Operation and Short-Term Financing

- Discounting of Export Bills
- Corporate Treasury Services.
- Competitive interest rates
- Easy international transfers
- Fee free accounts

“NRB Banking”

Jamuna Bank Ltd is one of the fast growing private commercial bank in the country having wide branch & associate network throughout the country. The bank has dedicated NRB banking division to ensure personalized services to the valued customers at branch & Head Office level.

Different NRB Services provided by JBL are -

- Deposit Schemes for NRB
- Facilities of Account & Scheme
- Loan Scheme for NRB
- Investment Facilities for NRB
- Remittance Services

“Treasury”

Money Market Operation

Money markets are used to facilitate the transfer of short-term funds from individuals, corporations or governments with excess funds to those with deficient funds. Even investors who focus on long-term securities tend to maintain some money market securities for liquidity.

Money Market Products are-

- Call Money
- FDR

Export Operation and Short-Term Financing

- Repo
- Reverse Repo

Foreign Exchange Dealing

JBL's Treasury is engaged in need based foreign currency transactions in inter-bank market. Its dealing room is connected to world famous Thomson Reuters live currency monitor with other on-line dealing platforms of different international banks to quote competitive spot & forward prices for major currencies. JBL is offering competitive exchange rates to its Importers, Exporters and Non-Resident Remitters for major currencies against BDT.

Foreign Exchange Products

- Spot Dealing
- Forward Dealing
- SWAP
- Corporate Deals
- Term Placement

Primary Dealers Operation

JBL is the market leader in primary dealing of government securities. With a view to activating a secondary market in Treasury bills/Bonds and other Government securities, Bangladesh Bank has nominated JBL as a primary dealer in the year 2003.

A part from these above mentioned product and services JBL also offers-

- Locker Services
- Online Banking Service
- Student file
- BACH (Bangladesh Automated Clearing House)

Job Responsibility

Internship program is designed in such a way that the students of undergraduate or graduate level students can have a practical experience of full time job and exercise their academic learning in real work life. It is great opportunity for the forthcoming graduates to learn more practically than academically. In fact, I had the opportunity to do my internship in Jamuna Bank Limited. I was serving the bank as an intern in Foreign Exchange Department of JBL’s Dhanmondi Branch. Throughout my three month long stay at this branch, I maintained all the job responsibilities that I was assigned to do. Throughout my stay in this branch I was fully involved with Local Export L/C procedures. My job responsibilities were as follows-

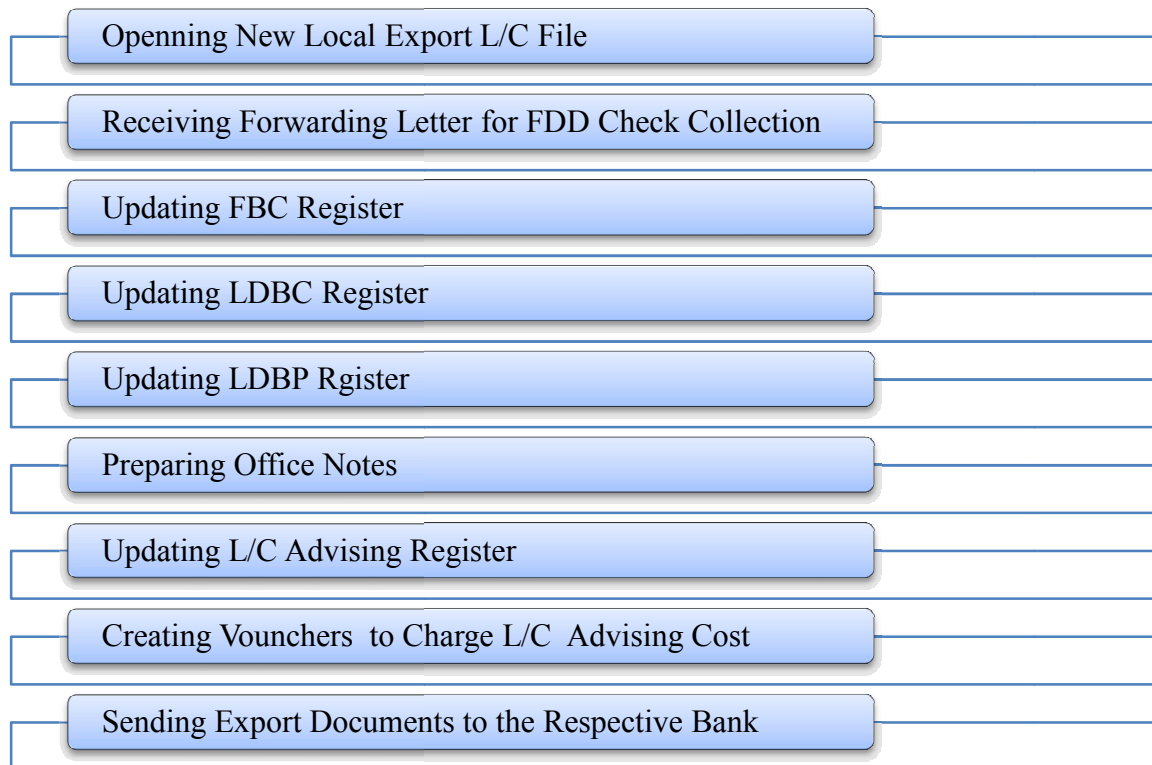


Figure 6: Job Responsibilities

Above mentioned tasks were my daily primary responsibilities which I had to maintain with professionalism. Besides my mentioned task I have also did some partial internal auditing to assist my supervisor for the accountability of preparing monthly report.

Export Operation and Short-Term Financing

- **Opening New Export L/C File**

It was a daily routine task to open new a file for every export L/C's for both purchased and none purchased documents the bank receives.

- **Receiving FDD's and Updating FBC Register**

Foreign Demand Draft (FDD) is a payment method in a cheque that carries payments in foreign currency. Before each payment the exporter bank receives forwarding letter from the importers bank about the payment. After receiving the FDD's both local and foreign, the FBC (Foreign Bill Collection) register is updated.

- **Updating LDBC and LDBP Register**

Local Documentary Bill Collection (LDBC) and Local Documentary Bill Purchased (LDBP) registers are daily updated for each documents received.

- **Preparing Office Notes**

After every purchase of export bills an office note is prepared having the purchased value of the bill converted to local currency and charged interest rate amount.

- **Updating L/C Advising Register**

After each messages received through SWIFT the documents are prepared for receiving export payments. These L/C are then posted in to the register.

- **Voucher Creation for L/C Advising Charge**

For every L/C received on behalf of the client, charges are applied with voucher for all the document proceedings.

- **Sending Export Documents**

Export document is send to the respective bank after verifying all the documents required for the payment. An office copy is also kept for further procedures.

Different Aspects of Job Performance

The job which I was assigned to do was not much critical but it was a lengthy procedure. However, there was no time frame to do the task but it was a daily routine task which needed to be performed for keeping up a good liaison with the client. My job let me explore the overall trade finance procedures of the foreign exchange service of Jamuna Bank Limited. In fact, the

Export Operation and Short-Term Financing

tasks gave me a practical opportunity of dealing with actual banking experience. Some different aspects of job performance were-

- Dealing with the client in absence of the regular employee
- Working under pressure within the time frame
- Opportunity to work under the Branch Manager
- Working for the import department though I was under export department
- Learning interbank transaction methods
- Opportunity of keeping liaison with other departments.

Throughout my internship period I have come under doing other works as well as my daily assigned works which gave me an opportunity to learn and explore different aspects of the job.

Observation and Recommendation

Overall banks performance towards its employees is commendable. Flexible work environment made it easier to perform individual tasks. Relationship among the employees was much friendly. Moreover, the behavior towards the interns was friendly. Additionally, interns were eligible to ask any sort questions for enriching their banking knowledge. But there were some facts which are needed to be sorted out that might beneficiate the bank in the long run-

- **Decision Making**

Decisions are mostly made by the superiors, which creates barrier to express individual opinion. Sharing new ideas might help to improve work efficiency and friendly job environment.

- **Improved IT Software**

Currently the bank is using centralized local banking software. Improved internationally recognized software may be more useful to deliver quality banking experience.

- **Structured Internship Program**

JBL lacks structured internship program. A structured program will add value in the long run and will create a good impression to its current and upcoming interns.

Introduction

Foreign Exchange is type of activity that includes transferring currency of one country to the currency of another country. It can be also interpreted as the international transfer of currency. Moreover, it is a mechanism by which rights of wealth in a country's currency is converted in to rights of wealth in another country's currency. World wide it is also the method of international trade and finance. Fundamentals of foreign exchange includes-

- Every country has its own currency, which are converted to a worldwide accepted currency for the trade activities.
- The conversion of currency from one country to another is effected by book keeping entry of banks that is carried out in two center concerned
- Exchanges are affected by the credit instruments like- drafts, mail, transfer, telegraphic transfer etc.

Each of these fundamental are pretty much common in every country. Globalization has also helped to create hype in foreign exchange activities. The number of foreign exchange trade is increasing day by day and it is also a great sign for the developing countries to contribute more in international economic structure.

In Bangladeshi context, foreign exchange is a term that has been introduced in the year of 11th March, 1947 in the then British India under the act of Foreign Exchange Regulation (FER) Act, 1947 (Act No. VII of 1947). The act was firstly adopted by Pakistan and later adopted by Bangladesh. All the foreign exchange regulations are issued by the Bangladesh Government as well as the Bangladesh Bank. All the regulations are strictly followed by the Authorized Dealers including banks and exchange houses. In banking sector foreign exchange is depicted as Trade Finance Division. Foreign Exchange activity in banking sector generally includes four activities.

They are-

- Import
- Export
- Remittance
- Currency Dealing

Export Operation and Short-Term Financing

However, some banks in recent times have transferred the remittance service to the accounts department of the bank. Jamuna Bank Limited also has done so. JBL offers all sorts of International Trade requirements including-

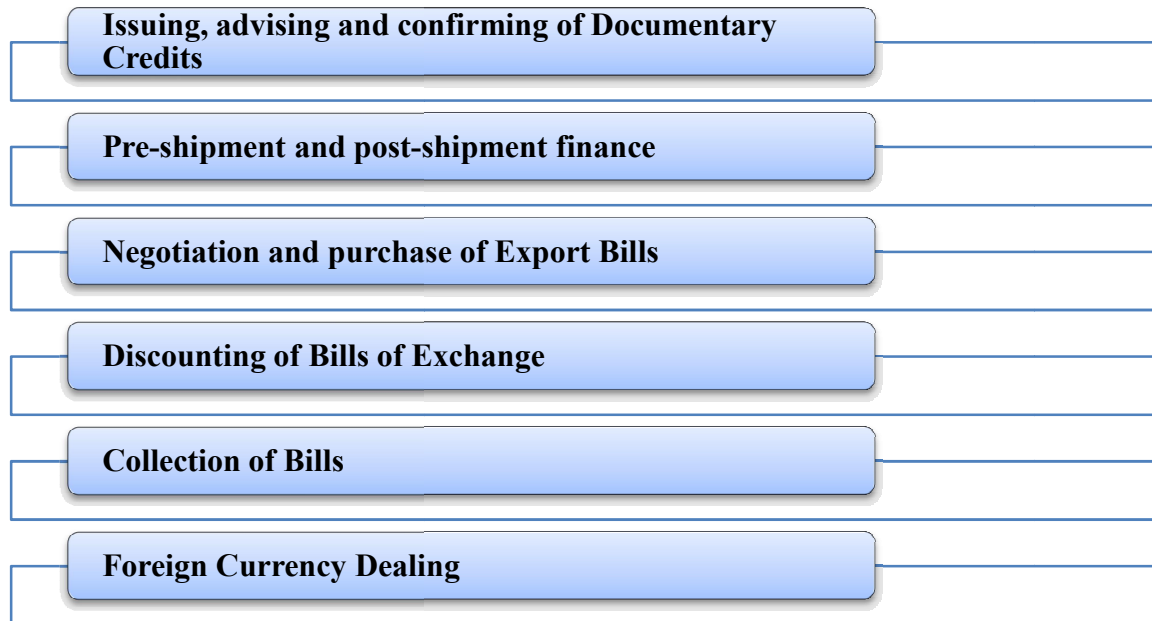


Figure 7: Foreign Exchange Offerings by JBL

This internship report is fully focused on the export operation and short-term financing under foreign exchange activities. Here, the term short-term financing includes the pre-shipment financing service provided by the bank to the beneficiary. It is also referred to as the export bill purchase under banking terms. The focused terms are basically a part of trade finance. In today's context, Bangladesh's overall foreign currency earnings are export-dependent. Almost 80% of all export earnings are apparel and garment products related. So basically, the textile sector plays a core part in overall Bangladesh's export earnings. Other export goods are –

- Jute
- Frozen Fish

Export Operation and Short-Term Financing

- Frozen Food
- Home Textile
- Footwear

These goods are contributing a significant part in country's overall economy. The economy of Bangladesh is growing fast and contribution of export activities are the key factors.

Letter of Credit

Letter of Credit or Documentary Credit is an undertaking by the issuing bank on behalf of buyer to pay the payment to the seller (beneficiary) the value of the draft or documents by following the terms and conditions of the documents. It is a contract paper where buyer's bank is bound to pay the seller under certain terms and conditions. It can be also described as the assurance of the credit. Some major types of L/C's are-

- **Revocable Credit**

This type L/C can be canceled or amended by the issuing bank with any prior notice to the seller

- **Irrevocable Credit**

It cannot be canceled or amended without any concerned of the parties and it constitutes the definite undertaking by the issuing bank. This type credit can be confirmed or unconfirmed.

- **Commercial L/C**

In international trade finance commercial L/C's are mostly used terms. It is related to international import and export credits.

- **Standby L/C**

This type of L/C is created if one party fails to be compensated as it was required by the credit terms. It also plays a role like an insurance commitment but the beneficiary has to prove the breach of the contract.

Export Operation and Short-Term Financing

- **Red Clause Credit**

The term is often used as the pre-shipment credit where issuing bank pays the payment to the beneficiary before the manufacturing starts for purchasing raw materials and other packaging and related costs. The clauses under this L/C are written in red ink.

- **Open Account**

It is a type of L/C where goods are delivered before the payments are due (30-90 days).

- **Back to Back L/C**

It is an import related L/C established against the Export L/C. It is a credit opened against the new credit on the basis of the original credit in favor another beneficiary.

The most common terms used under L/C are described below-

- **Applicant/Buyer/Importer**

An applicant or importer is the person who requests to open L/C to the Issuing Bank for giving the assurance to the exporter about the payment.

- **Beneficiary/Seller /Exporter/Seller**

The beneficiary is the person on whose against the L/C is issued for the payment of the exported goods.

- **Negotiating Bank/Exporters Bank**

The bank which negotiates with the issuing bank about issued L/C on behalf of the exporter.

- **Issuing bank/Importers Bank**

Issuing bank prepares all the related documents and L/C on behalf of the applicant with certain terms and conditions instructed by the applicant.

- **Advising Bank**

Any bank that advises the credit documents for the buyer. Most often exporter's bank plays this role.

- **Confirming Bank**

This bank gives the confirmation upon the issuing bank's authorization or request.

Export Operation and Short-Term Financing

- **Nominated Bank**

It is a bank that has been nominated to pay issued deferred payment undertaking or accept drafts.

- **Reimbursing Bank**

It is the bank which will reimburse the negotiating bank. This bank will be nominated by the issuing bank.

- **Transferring Bank**

It is the bank which will transfer the L/C by the instruction of the original beneficiary.

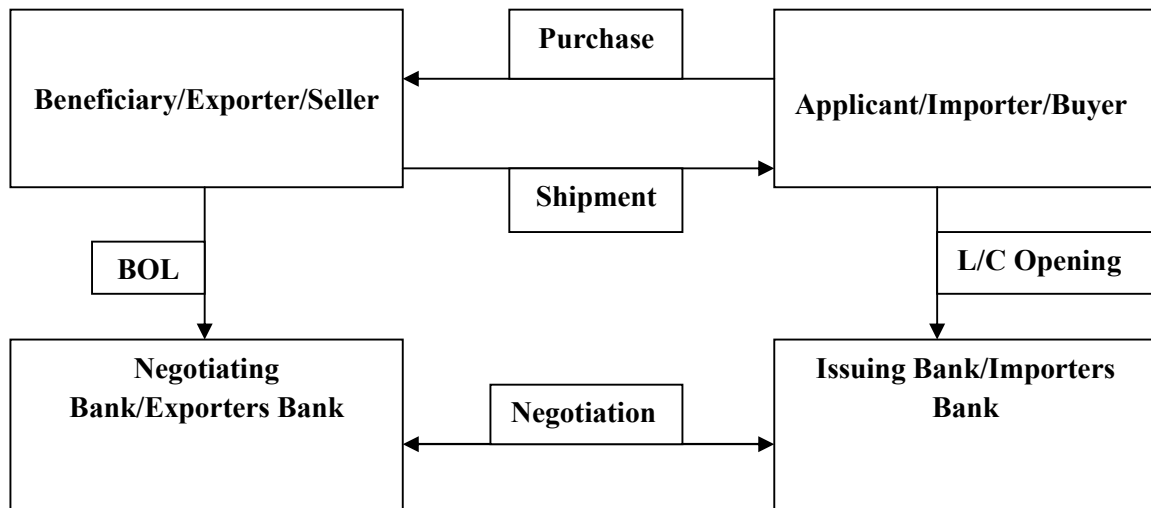


Figure 8: Export and Import Operation

Locally and internationally the overall export and import activities are operated with the help of banks. This whole export and import operation is done by the bank by using documents as key transaction method, which we refer as the letter of credit (L/C). The report will only focus on the export operation part (local) and short-term financing relating the export bill purchase. Furthermore, JBL offers both the related topics in its foreign exchange operation. JBL’s export operation in Dhanmondi Branch also deals with the services that the committed to. Overall operation will be described with the help of theoretical and observational knowledge.

Export Operation

In 2014 Jamuna Bank Limited saw an increase of 1.15% growth in its overall export operation. However, at that time country's on an average export growth was 1.4%. The scenario reflects that JBL is doing business quite efficiently by keeping up the pace with the industry average. The export business scenario of JBL looks quite impressive over the years. Moreover, JBL's Dhanmondi Branch has seen an increasing number of export businesses from the beginning. This branch has an estimated growth of 2.72% in 2014 in overall export operation. The branch has a number of clients from different industries. Local export operation is only providing services to the textile industry. However, foreign export operation is dealing with textile, leather, frozen fish etc. After comparing the data collected from the other branches it is noticeable that Textile industry plays a key role in every branch's export operation.

Though the percentage of other branches is shown 100% is because of the other industries proportion very much little in amount. That is why the scenario looks like this. However, the industry is not the main factor here rather how the branches are performing is the main factor.

The export operation of JBL is followed by the Foreign Exchange act of Bangladesh (Act No. VII of 1947). Under this act all the banks are required to do the export business. Export operation is a term that describes the sending goods from one place to another. It can local and international. In banking term of JBL export operation is done under two categories. They are-

- **Local Export**
 - LDBC (Local Documentary Bill Collection)
 - LDBP (Local Documentary Bill Purchase)
- **Foreign Export**
 - FDBC (Foreign Documentary Bill Collection)
 - FDBP (Foreign Documentary Bill Purchase)

Local Export Operation

Local export is basically the inter industry goods transaction within the country. It is the operation of transferring export goods within the same industry. If both the parties fall under EPZ of Bangladesh then the transactions will be occurred in foreign currency, preferably Dollar. If not then local currency is used. Jamuna Bank also follows the guide line provided by the Bangladesh Bank and lists all its transaction in terms of Dollars for EPZ clients. However, the transaction in foreign currency helps to ensure the fact it will be easier for them to repay the loan against the export goods to Bangladesh Bank because the loan is also given in foreign currency. That JBL's export operation also follows the regulation provided by the central bank of Bangladesh.

Export procedure JBL consist of several activities and documentation for fulfilling the requirement of Bangladesh Bank. The procedure starts with receiving the L/C from the issuing bank and completes after the payment is received. Further operation is done when the purchase or short- term financing term comes.

The overall export procedure for local goods is described below -

- **L/C Received**

At the very beginning Jamuna Bank receives L/C from the issuing bank on behalf the beneficiary. L/C comes via SWIFT service. The message includes the amount of order, issuing date, applicant and beneficiary's information, terms and conditions of the L/C and other related documentary information.

- **L/C Advised**

When the bank receives L/C it is advised under the regulation of the bank. The advising of the L/C is a required procedure to avoid fraud and most of the time it is done by JBL for its customer. A service charge is applicable for the advising procedure of the L/C.

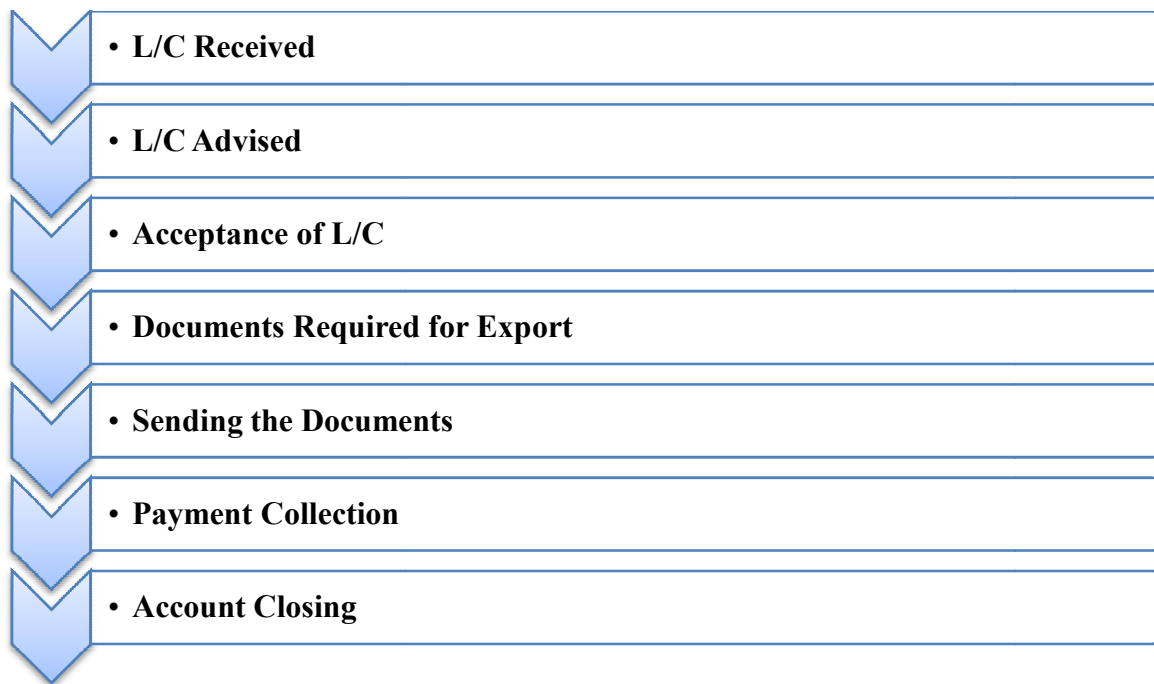


Figure 9: Local Export Procedure

- **Acceptance of L/C**

When the beneficiary does not get the payment on at sight then acceptance is required. In banking terms there is a tenor for the documents presented and payment will be made on the maturity date. JBL deals with all sorts of acceptance. Acceptance is a condition or term that has been made after the agreement is made between the two parties.

- **Documents Required for Export**

Now after getting the L/C from the issuing bank export documents are required to be submitted to the bank for further proceedings. These documents are the main instruments because bank deals with documents. The required documents are-

- Bill of Exchange
- Pro forma Invoice
- Commercial Invoice
- Delivery Chalan
- Truck Receipt

Export Operation and Short-Term Financing

- Beneficiary's Certificate
 - Certificate of Origin
 - Inspection Certificate (vendor of the importer)
 - Insurance Documents
- **Sending the Documents**

Documents then are verified and arranged according to the banks guidance. Then the document is send to the issuing bank/ importers bank via courier service or mailing service.
 - **Payment Collection**

Payments are received before the maturity via Foreign Demand Draft (FDD). After that FDD's send to the Head Office of Jamuna Bank. After clearing the FDD or cheque the payment is transferred to the beneficiary's account. If the payment is not received before the maturity date, it is officially considered as the **"Payment Due"**. A charge is applicable in this case by the exporter's bank.
 - **Account Closing**

After receiving the payment all journals those were debited are now been credit to close all the transaction journals for the particular transaction.

However, there is an exception for the L/C if the terms conditions (maturity date, payments in more than one phases etc) are changed. A renewed message is send to the exporter's bank which is called **"Amendment"**. Documents then are processed according to the new L/C and bank charge is applicable for each amendment is received by the exporter's bank.

Above steps are needed to be followed by the exporter and its authorized bank. However, the exporter does have to have an account in JBL to receive the payments. Also there has to be a minimum balance in the account so that service expenses can be charged without being worried. A client's minimum balance varies depending on the relationship with the bank.

Moreover, to continue the overall export operation banks do charge for processing. Issuing bank never pays the full amount written on the L/C. After falling to an overdue payment a message is

Export Operation and Short-Term Financing

send to the issuing bank to notify the importer. Charge is applicable for overdue and a message is also send to the Bangladesh Bank.

Foreign Export Operation

JBL Dhanmondi Branch also deals with the foreign export documents. With exception local export operations is only based on Textile industry but foreign export operation is consist of leather industry, frozen fish, vegetables and other grocery items. To obtain the permission of exporting goods to outside of the country an exporter needs to have an Export Registration Certificate (ERC) from the Chief Controller of Import and Export. An EXP form provided by the Bank is needed to be filled up. BOL (Bill of Lading) is also needed to be submitted and rest of the document is same as in the local export operation. Moreover, TIN, VAT and valid Trade License is also required.

Here, it is needed to be mentioned that for doing all the export procedure foreign issuing need to have corresponding banking service with Jamuna Bank Limited. Otherwise, JBL cannot proceed with such document. Currently, JBL provides correspondent banking facilities with almost 306 international banks in more than 85 countries. Moreover to maintain a smooth transaction JBL is maintain 20 Nostro Accounts with different currencies like- USD, GBP, EURO, JPY, CHF, SAR, AED and ACU Dollar with various reputed banks.

Short- Term Financing

It is financing method for a short tenor to the exporter against the export documents submitted by the exporter to the bank. Usually, when an exporter falls under any shortage of money for continuing his business or any business operation related reason bank provides credits to exporter. Typically, the financing is provided by the bank for the working capital purpose of the business.

There are two types of short- term financing provided by the banks as well as JBL. They are-

- Pre- Shipment Financing
- Post- Shipment Financing

Pre- Shipment Financing

Pre- Shipment financing is type of short term financing provide by the banks to the exporters. It is a type financing where financing is done before exporting the goods. The financing is basically for the raw materials purchase, processing and conversion cost or for the packaging cost purpose. It is basically a risky in a sense for bank because the credit is secured before the export of goods. Startup companies with less amount of capital and resources go for the pre- shipment financing. It is also provided mainly on foreign export goods.

Post- Shipment Financing

Post- shipment financing is done help the exporters for increasing the working capital of the business. Generally, it is provided after the shipment of the export goods. All the necessary export documents are needed to be submitted. JBL more often deals with the post shipment financing. In banking terms, this type of financing is called “Documentary Bill Purchase”. Jamuna Bank does offer both foreign and local post- shipment financing. For the credit term it si maximum for 180 days. Usually, post- shipment financing is more secured than the pre shipment financing because the exported goods are already send to the destination.

Export Operation and Short-Term Financing

In this report, the post- shipment financing is broadly discussed because JBL Dhamondi Branch deals with this type of financing in large proportion than the pre- shipment financing with procedures and the risk associated with the financing. The overall procedure is described below-

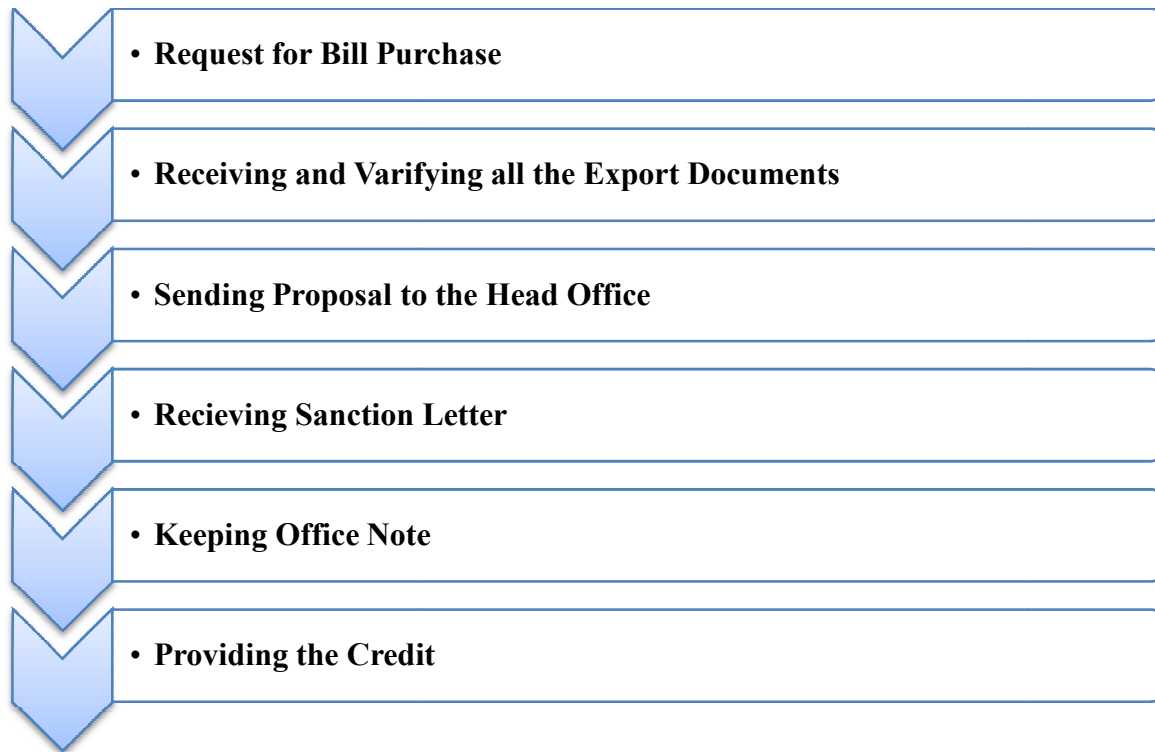


Figure 10: Export Bill Purchase Procedure

- **Request for Purchase**

After receiving the L/C from the issuing bank the exporter is asked by the exporter bank about the purchase or vice versa. After, initial agreement the banks proceeds for purchasing the documents to provide the credit amount required by the exporter. JBL always keeps a good liaison with its clients to facilitate them in this matter.

- **Receiving and Verifying All the Export Documents**

Following the initial request the bank asks the exporter to provide all the required documents for continuing the purchasing procedure. It is needed to be mentioned that bank always deals with documents. Later documents are verified and moved to the next step.

- **Sending Proposal to the Head Office**

When initial verification is done, the proposal is send to the Head Office from the Branch for asking the permission of purchasing the documents. The proposal includes all the information related to the export bill including-

- Purchase Amount
- Interest Rate to Charged
- Tenor
- Terms And Conditions

- **Receiving Sanction Letter**

A sanction letter is send from the Head Office after verifying the export document related information. Sanction letter then kept with the purchased export documents for further proceedings.

- **Keeping Office Note**

Office is prepared after the sanction is done. It includes all the accepted terms like-purchased amount, interest rate, tenor etc. This is kept as an office document.

- **Providing the Credit**

When all the steps are done accordingly, then the bank provides the credit amount to the exporter to his account. The amount is later used as working capital for the exporter business.

Calculation of the Purchased Bill

It is to be informed that the exporter doesn't get the full payment amount as a credit form the bank. Jamuna Bank Limited gives only 90% credit of the total L/C value. Moreover, the L/C Value is converted to Bangladeshi Taka for the sake of risk mitigation. Additionally, a reduced exchange rate is applied while purchasing the bill again for reducing risk. The changed exchange rate is usually decided by the top authorities of the bank. In fact, issuing bank charges additional proceeding expenses which are deducted from the actual payment. Interest rate is charged at the banks authorized regulation. The interest rate is the actual income from the purchase of the

Export Operation and Short-Term Financing

export documents. The actual calculation for purchasing the export bill for short- term financing is as follows-

| |
|---|
| $L/C \text{ Value} * 90\% * \text{Exchange Rate} = \text{Purchased Amount}$ |
|---|

| |
|---|
| $\text{Interest Rate} * \text{Purchased Amount} = \text{Interest Income}$ |
|---|

The above calculation method is followed by the Jamuna Bank Limited while the export bill. However, exchange rate and interest varies in different branch or according to the clients relationship with the bank.

Accounting Practices in Local Export Operation

Accounting is practiced daily as an entry requirement for all transaction going on in the bank. Journal entries are the most common entries as basic of export operation. Here, only local export operation journal are being focused-

- **After receiving the payment in BDT**

| Date | Details | Ref No. | Debit (TK) | Credit (TK) |
|------|--|---------|------------|-------------|
| | Clearing AccountDr Sundry Creditor or IBP A/C.....Cr (After getting BDT payment from other bank) | | | |

- **After receiving the payment in foreign currency**

| Date | Details | Ref No. | Debit (TK) | Credit (TK) |
|------|---|---------|------------|-------------|
| | Adjusting A/C H/ODr IBP A/C.....Cr (After getting Dollar payment from other bank) | | | |

- **Creating LDBP (Local Documentary Bill Purchase) Account**

| Date | Details | Ref No. | Debit (TK) | Credit (TK) |
|------|--|---------|------------|-------------|
| | IBP A/C.....Dr Exchange Gain A/C.....Cr LDBP Loan A/C.....Cr (Creating LDBP A/C) | | | |

- **LDBP (Local Documentary Bill Purchase) Account Adjusted**

| Date | Details | Ref No. | Debit (TK) | Credit (TK) |
|------|---|---------|------------|-------------|
| | LDBP Loan A/C.....Dr Overdue Charge.....Cr Source Tax @.60%.....Cr Exchange Gain.....Cr A/C Closing Charge.....Cr Vat A/C.....Cr Party Deposit Account.....Cr (Adjustment after maturity of LDBP) | | | |

- **LDBC (Local Documentary Bill Collection) Account Adjusted**

| Date | Details | Ref No. | Debit (TK) | Credit (TK) |
|------|--|---------|------------|-------------|
| | IDBP A/C.....Dr Exchange Gain.....Cr Source Tax @.60%.....Cr Party Deposit Account.....Cr (Adjustment of LDBC A/C) | | | |

Note: IBP= Inland Bill Purchase

Foreign Exchange Risk

Foreign exchange risk is the risk of changing the value of investment due to the change in rates of exchange. The investor will face a short or long position risk due to the adverse movement in exchange rates. The risk is more severe in terms of dealing in more than one currency. However, those businesses which are directly related with the import business face more difficulties. Exporters will get less payment if the risk is on their side. Usually the scenario is much more severe than expected. Different sources of foreign exchange risks are-

- Business location
- If capital expenditure is dominated by foreign currency
- Export bill is received in foreign currency
- Royalties, dividend, interest etc received in foreign currency
- Where loans are dominated in foreign currency
- Where businesses have offshore assets.

Risk Associated With Short- Term Financing

Short- term financing under foreign exchange faces the same amount of risk associated with the foreign exchange. Exchange rate risk is the key factor that plays a key role here. Whatever the bank pays to the exporter as a loan, the amount is again collected from the payment received on the maturity date. In fact, the payment amount might be less due to the change in exchange rate. To mitigate the risks associated with short- term financing, Jamuna Bank Limited designed its foreign exchange activity in an effective way. Like-

- Credit is given only 90% of the L/C value
- Purchases the bill in local currency (as Bangladesh Bank regulation in 2008)
- Exchange rate is reduced from its usual rate due to avoid future fall of exchange rate
- Every purchased bill has an entry in Bangladesh Bank's server by JBL
- Over Due payments are being notified to Bangladesh Bank

These are the regulations that Jamuna Bank follows, guided by the bank authority and Bangladesh Bank to control the risk associated with short- term financing.

Performance Analysis

Banking sector not only provides the conventional banking service but also provides trade finance facilities to the businesses by ensuring secured financial transaction. Trade finance is a part of foreign exchange Jamuna Bank Limited deals professionalism. Bangladesh’s overall export consists more than 80% of textile related goods, which shows the significant impact of textile sector in our total economy. In fact, the export related goods are the main export goods for Jamuna Bank Limited. However, there is a variation in the import goods but export is fully dependable on the textile industry.

Jamuna Bank’s Dhanmondi Branch only deals with the textile industry. These are mainly, the accessories for RMG products, finished garment products, packaging of the garment products, washing and dyeing of garment etc. Moreover, these are export goods are locally distributed to another company. Most of the transaction are made in foreign currency namely dollar because of being a part of EPZ. In the year of 2015 Dhanmondi branch has seen an increase of almost 7% local export business from the previous year. Dhanmondi branch has made more than 70% export bill purchase of total export L/C, an increase from last year’s operation. However, short term financing made more consistently in this branch for the commitment with the loyal clients. In terms of foreign export operation the branch has different customers from different sector including textile, leather and sea fish. These export products have a less number of bill purchases comparing to the local bill purchase.

| Branch Name | Local Export | Foreign Export | | | |
|-------------|--------------|----------------|---------|----------|--------|
| | | Textile | Leather | Sea Fish | Others |
| Dhanmondi | 100% | 70% | 15% | 5% | 10% |
| Gulshan | 100% | 90% | | | 10% |
| Mohakhali | 100% | 95% | | | 5% |

Figure 11: Export Operation Scenario of Three Different Branches of JBL

Export Operation and Short-Term Financing

To make the analysis more viable a survey of three core foreign exchange branch of JBL has been conducted. They are Dhanmondi Branch, Gulshan Avenue Branch and Mohakhali Branch. The survey included the information of contributions of different sectors in both local and foreign export. Identically, almost 100% of local export is based on textile goods and related products. It may not seem to avoid other sectors rather our country's overall export is dependable on this sector. Almost all the branches have a significant number of clients from this sector and JBL is providing a satisfactory service with customer satisfaction. In other two branches except Dhanmondi, the foreign export is close to 100% from the textile industry and other sectors are a very little in proportion. The performance comparison of the branches are not the main factor here rather contribution towards different industry is the key player here.

It is to be mentioned that the import operation has no significant impact on the export operation. It is a separate business for the bank. The bank basically have clients from different sectors like-grocery products, food grains, edible oils, medical accessories, garment accessories, capital machineries etc. The bank has seen a significant growth in import business in 2015. However, only textile industry is a common sector for both export and import. But the impact is not significant as companies do their business with different banks for risk mitigation. It is not mandatory for the companies to maintain business with the same bank. Indeed, banks try to keep their customers to do business with them. JBL's Dhanmondi Branch does have some loyal customers who do both export and import business with the bank. Here, back to back L/C is more generated for the business purpose. So, overall business is affected by the relationship with the clients and bank's service.

Thus, financing the clients for working capital purpose, which we also refer as the post-shipment financing made the clients more active towards their own business. Jamuna Bank's financing facilities were more than helpful for them. Indeed, overall banking performance of JBL's foreign exchange department is satisfactory. The increasing number of transactions and relationship with the clients made it more possible and trust worthy.

Performance Comparison with Other Banks

Jamuna Bank Limited has shown consistent performance in the export operation in the last five years. However, DBBL and UCB has shown an improvement comparing to other Banks in the export operation.

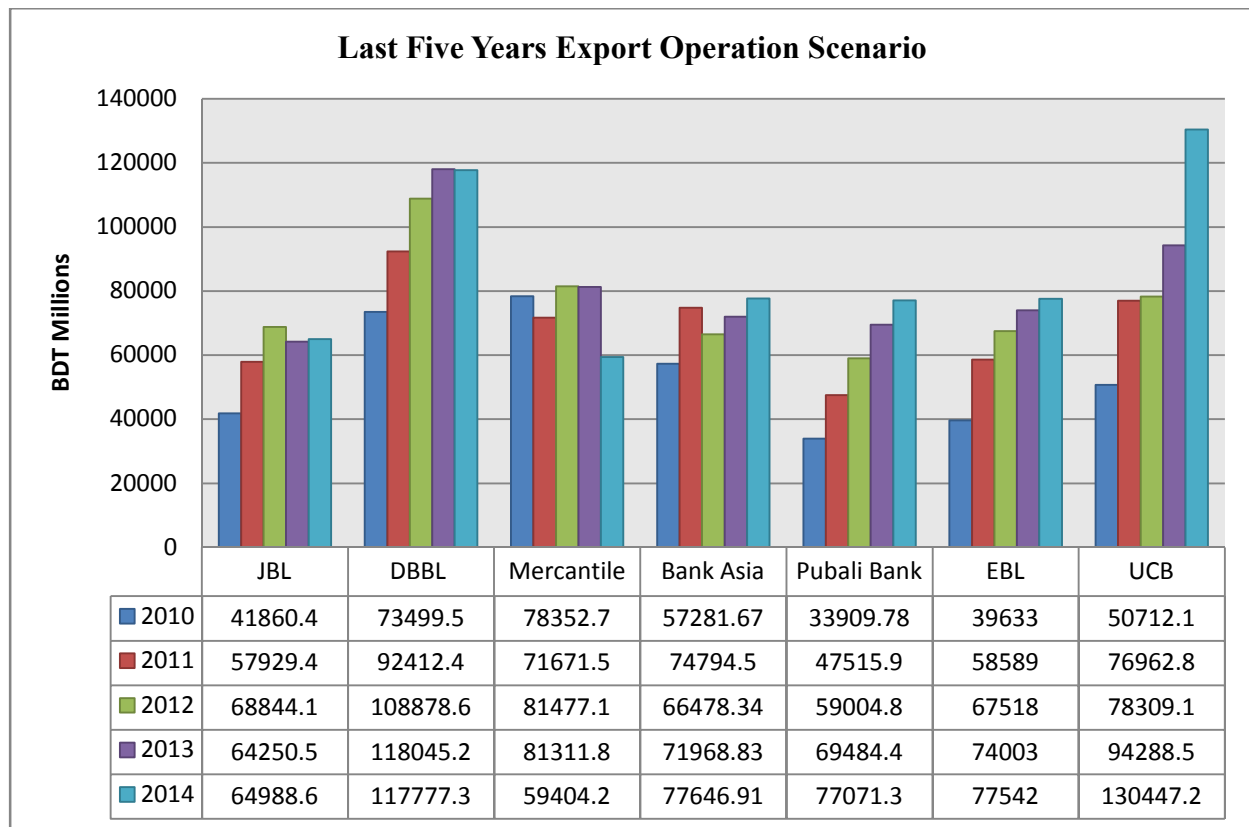


Figure 12: Last Five Years Export Result

Additionally, Pubali Bank EBL has seen a growth in their recent operation. On the other hand, Mercantile Bank had a decline.

Relationship with Country’s Overall Export Operation

Overall export business of Bangladesh saw a major growth in the year of 2011 after a while. But in 2012 a major decline was there for some crucial issues. Since the major fall, the export business has been in upward trend. Different banks scenario on this declining impact is shown below-

Export Growth Scenario

| | JBL | DBBL | Mercantile | Bank Asia | Pubali Bank | EBL | UCB | FEX Growth (Bangladesh) |
|-------------|--------|--------|------------|-----------|-------------|--------|--------|-------------------------|
| 2011 | 38.39% | 25.73% | -8.53% | 30.57% | 40.12% | 47.83% | 51.76% | 41.50% |
| 2012 | 18.84% | 17.82% | 13.68% | -11.12% | 24.18% | 15.24% | 1.75% | 5.90% |
| 2013 | -6.67% | 8.42% | -0.20% | 8.26% | 17.76% | 9.60% | 20.41% | 11.20% |
| 2014 | 1.15% | -0.23% | -26.94% | 7.89% | 10.92% | 4.78% | 38.35% | 12.60% |

Correlation

| | JBL | DBBL | Mercantile | Bank Asia | Pubali Bank | EBL | UCB | FEX Growth (Bangladesh) |
|--------------------------------|----------|-----------|------------|-----------|-------------|----------|---------|-------------------------|
| JBL | 1 | | | | | | | |
| DBBL | 0.882232 | 1 | | | | | | |
| Mercantile | 0.181241 | 0.5454804 | 1 | | | | | |
| Bank Asia | 0.446496 | 0.3395917 | -0.4966772 | 1 | | | | |
| Pubali Bank | 0.915884 | 0.9651033 | 0.31768062 | 0.5685427 | 1 | | | |
| EBL | 0.908802 | 0.8818602 | 0.0965917 | 0.7241991 | 0.974164 | 1 | | |
| UCB | 0.364472 | 0.100633 | 0.75616259 | 0.9305931 | 0.356842 | 0.557861 | 1 | |
| FEX Growth (Bangladesh) | 0.749009 | 0.6322556 | -0.2731256 | 0.9268581 | 0.813077 | 0.921750 | 0.83214 | 1 |

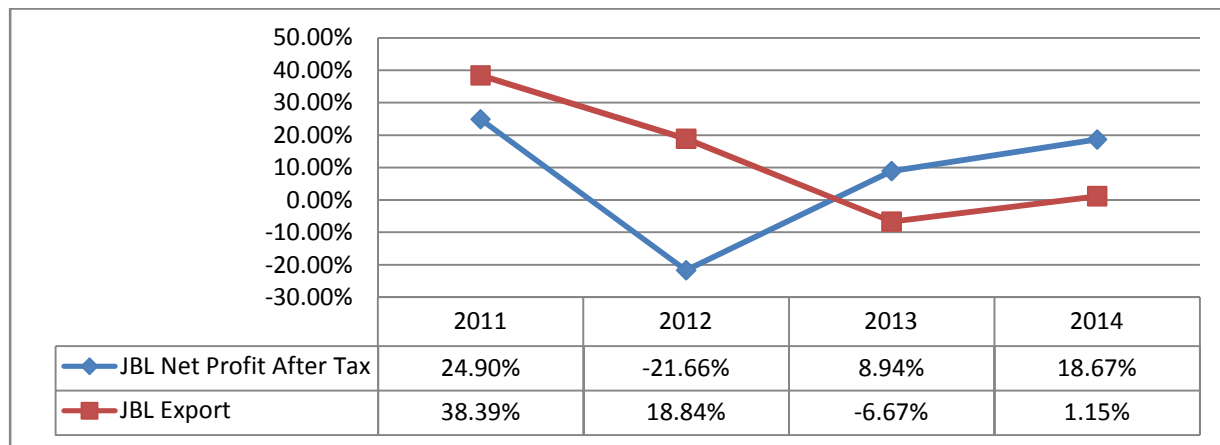
Figure 13: Correlation with Export Growth of Bangladesh

The decline impact of the export business in 2012, saw banks doing less business according to the expectation. Mercantile bank was mostly influenced with impact and had negative relationship with the country overall export business. Bank Asia and Eastern Bank were moving the country's growth. Dutch Bangla Bank was also not performing well enough. United Commercial Bank and Pubali Bank were more consistent performer. Lastly, Jamuna Bank saw a major decline in 2013. Growth of the export business of the bank is moving a bit with the country's export business but less positively than expected.

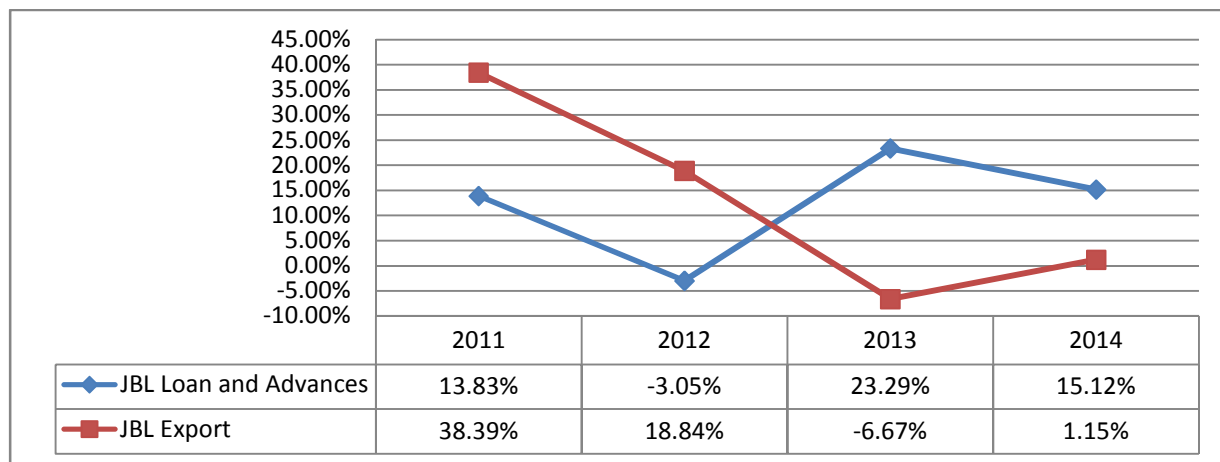
Export Scenario and the Impact of Financial Variables

Here in this report two of the very important financial variable- Loans and Advances and Net Profit after Tax has been elected to make a relationship with export operation. The relationship has been presented graphically to show the growth and relationship with different banks financial indicator.

Jamuna Bank Limited



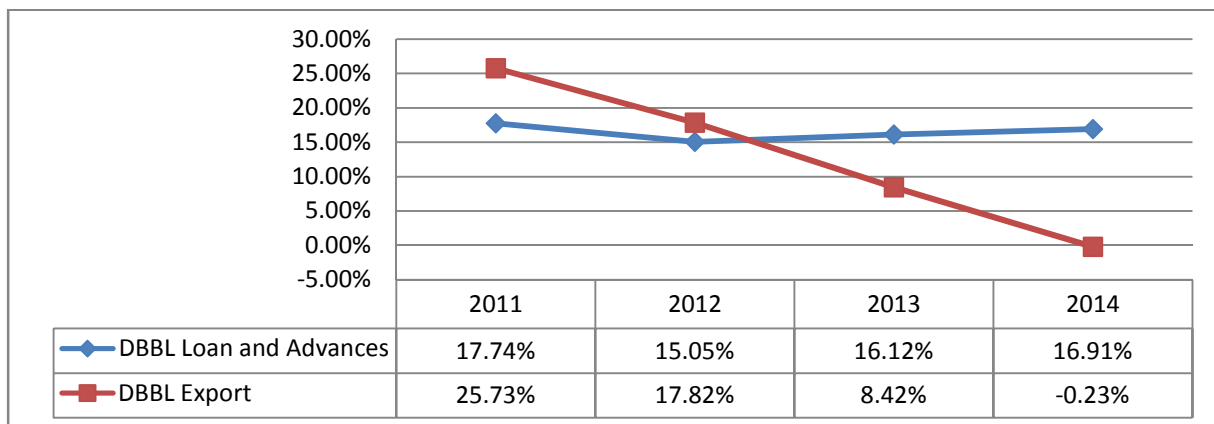
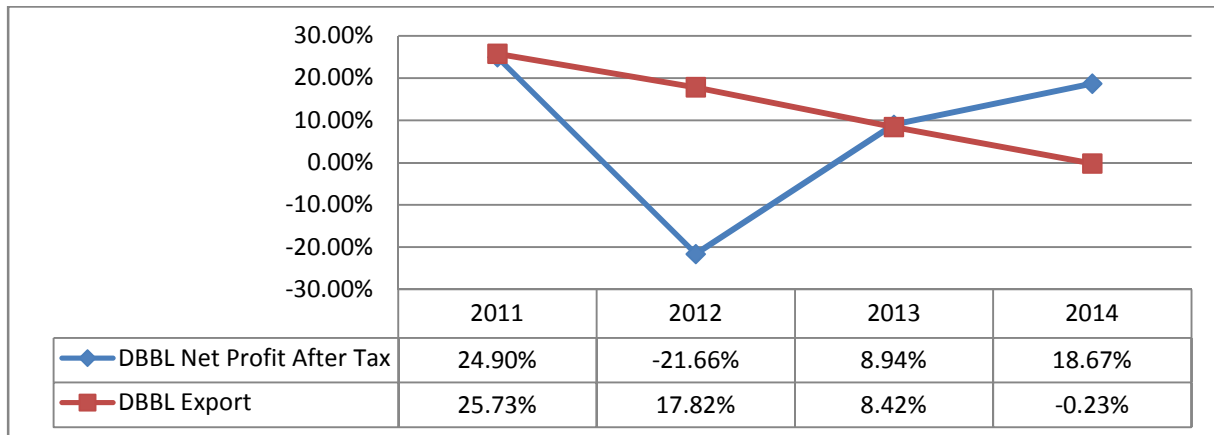
Though the net profit after tax had negative growth in 2012, export had positive growth. However, in 2013 the result was reversed. In 2014, the growth in export was very little comparing to overall profit.



Export Operation and Short-Term Financing

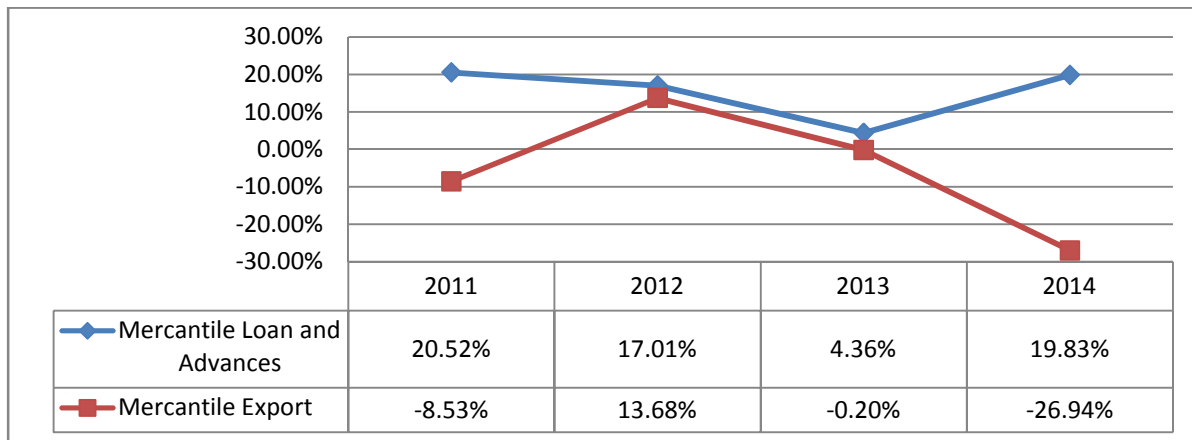
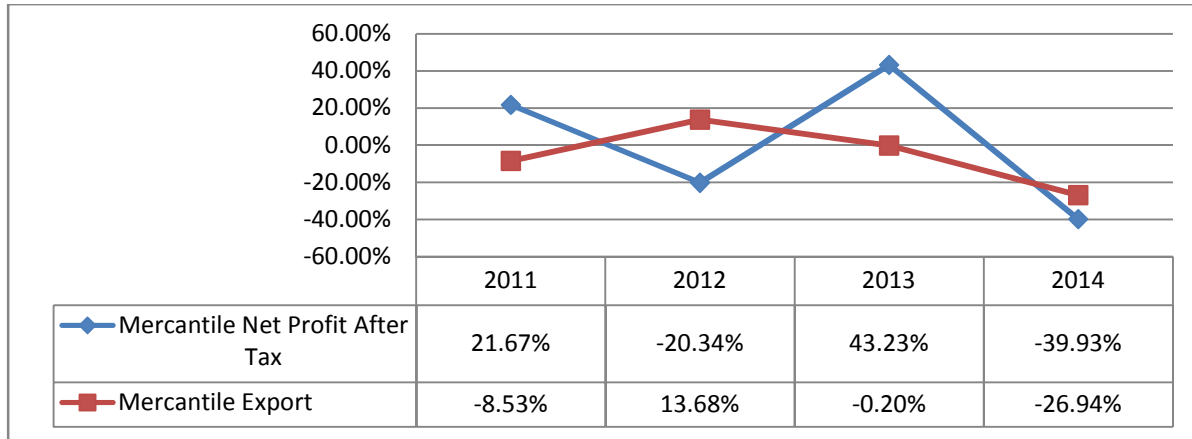
Here the negative impact of loans and advances did not made any impact on the export performance in 2012. But 2013 was shocking according to the banks overall performance. So we can justify that this two variables were not playing the major part in overall export business.

Dutch Bangla Bank Limited



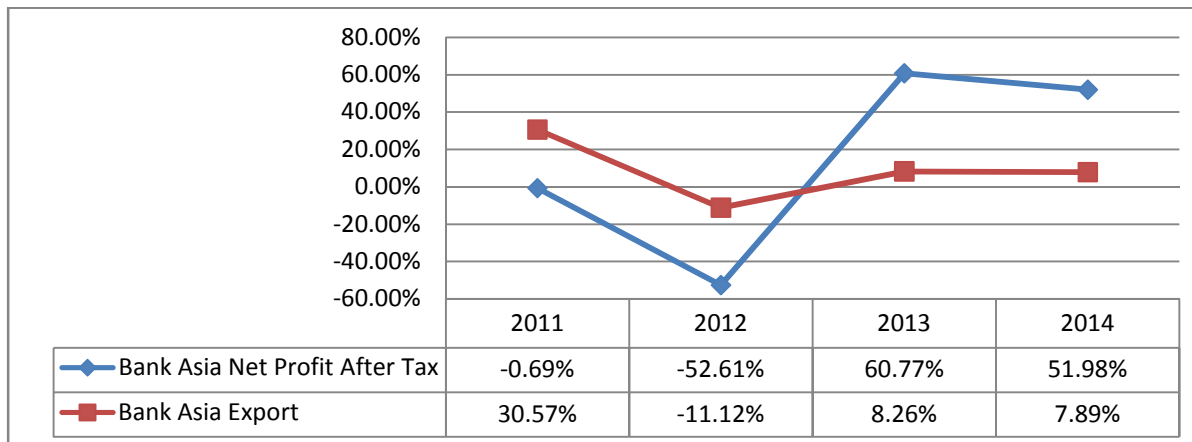
DBBL’s export performance was not hampered with the banks net profit and loans and advances that DBBL made. But a growth in profit and loans saw a major decline in export business.

Mercantile Bank

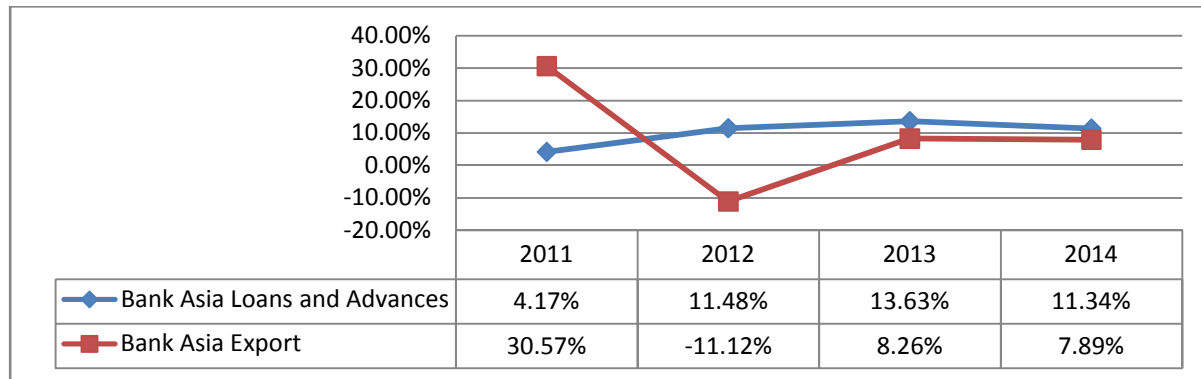


Bank’s export business declined over the years and saw negative movement along with overall banks net profit in 2014. However, loans and advances had no impact on export business.

Bank Asia

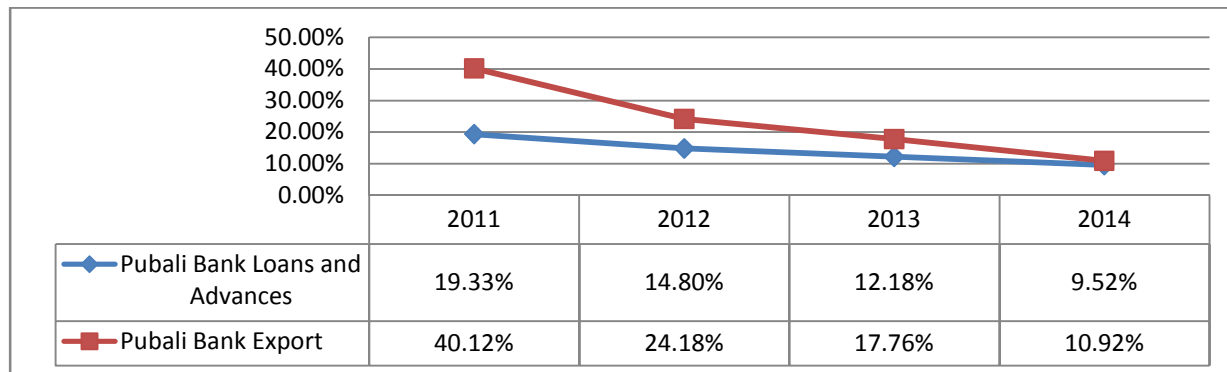
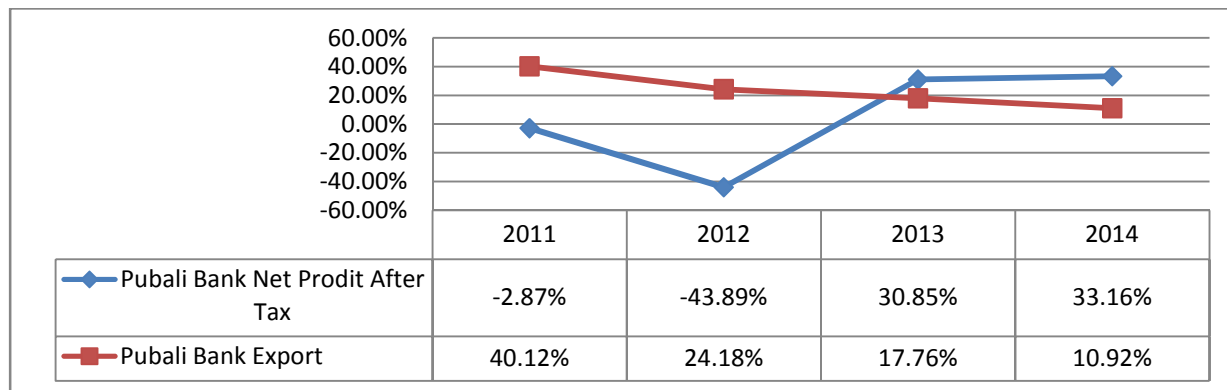


Export Operation and Short-Term Financing



Declining of export business shows the impact in 2012 of Bank Asia’s net profit after tax. A negative growth was both in export and net profit but loans had no impact.

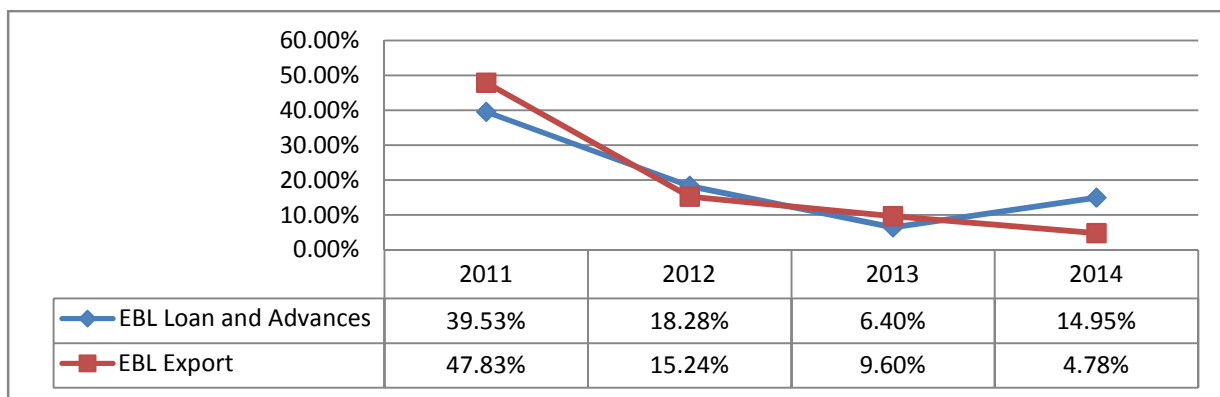
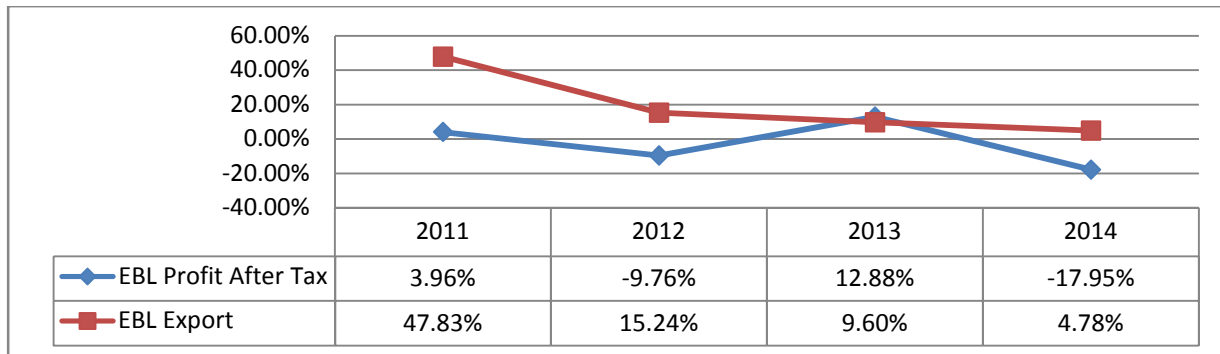
Pubali Bank



Export business was consistent for Pubali Bank but loan and advances had an impact on overall export business. The growth is declining and export bill purchase is related to loans. Recover of loan seems to be tough here.

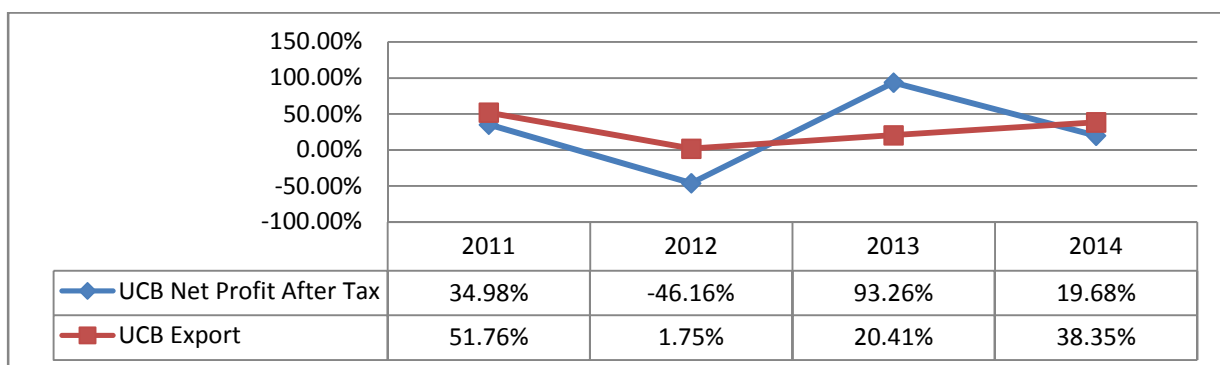
Export Operation and Short-Term Financing

Eastern Bank

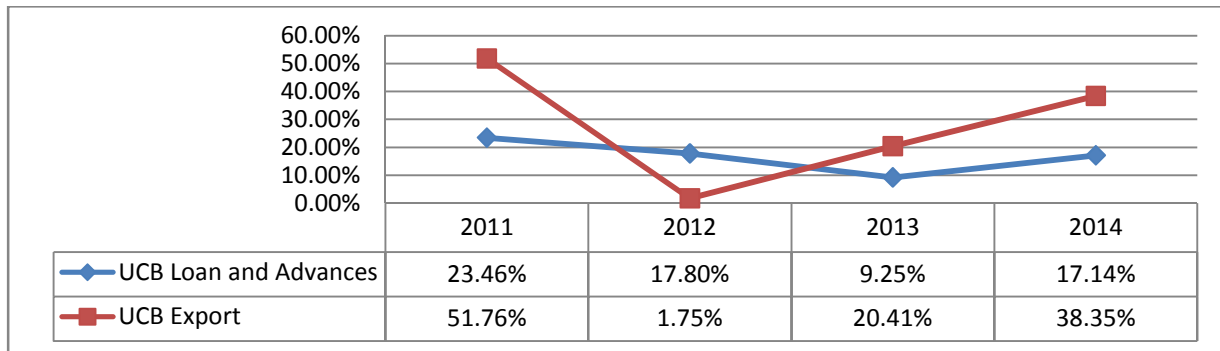


Negative growth in net profit saw a fall for Eastern Bank’s export performance in 2012. Bank’s overall export business is impacted by both net profit and loans. A declining result is seen overall.

United Commercial Bank



Export Operation and Short-Term Financing



A major decline of net profit after tax in 2012 had significant impact on the bank’s export operation. However, a growth saw the export operation moving accordingly. Loans and Advances were impactful in 2012 and the export result of bank has grown according with the variable thereafter.

Finally, it can be justified that Jamuna Bank’s export operation had a less impact on the two variables comparing with other Banks performance. Most of the bank saw a declining period in 2012, and moved according to the financial indicators. So both the variables especially net profit had a significant impact on the bank’s overall export operation.

Recommendations

Jamuna Bank Limited is one of the well performing bank in Bangladesh. However, due to banking and organizational policies JBL is less performing in broadening the scope of customer engagement. During the internship period some of the policies were identified which is declining the reputation of the bank. Some of the recommendations after observation are-

- The bank should engage more on providing attractive service to reach more potential customers.
- Foreign Exchange activities of the Branch are much completed. Most of the employees are less knowledgeable in the full operation. So, rotation of work should be made for maximum output and ensuring work efficiency.
- The Banking software is locally made and is much vulnerable. Internationally recognized software should be in operation
- Dhanmondi Branch includes foreign exchange department with 10 employees in operation. According to the customer dealing the manpower is less than required. So, an increase of man power is needed.
- Some of the banking activities are still backdated like – keeping and organizing the files.
- Bangladesh Bank regulations are sometimes overlooked and performed under the client's relationship with the bank.
- L/C is the core method transaction for any manufacturing or purchase dealings. However, some issuing banks do L/C amendment without asking the beneficiary. Local export department faces this sort of problem regularly and sometimes amendment is made mistakenly. Accountability has to be there.
- Internship facilities are not much suitable for the students as there is no structured internship plan provided by the Bank.

These were some of the recommendations associated with the foreign exchange. Recommendations on overall bank's performance is given below-

- Jamuna Bank should engage more on marketing actives to broaden its scope. Sponsoring different global events may be good choice.

Export Operation and Short-Term Financing

- Card division should put more focus on selling the cards by initiating direct sales.
- Geographic positioning of ATM booths, are not commendable. Public locations should be kept in mind for further expand.
- The bank should introduce the virtual money facilities to the customers, as online shopping payment is done virtually globally.
- Loan facilities should be more attractive to the rural people for encouraging entrepreneurship.
- The bank should engage more on Islamic Banking and expand its service.
- Modernized banking offers should be introduced to compete in the banking sector.
- An approach of opening branch outside of the country may start a new phase for becoming a multinational bank.

These recommendations are made to encourage the banks initiatives and performance. Moreover, criticizing the bank is not the main purpose rather taking a part in improving the banking facilities is the main objective here.

Conclusion

The banking service in Bangladesh is more traditional and backdated. Almost all the state owned is under performing. The number privatized bank is doing business in a highly competitive manner. The performance of the export business is highly dependable on banks as payment is ensured through banks. The textile industry is contributing more than 80% of the total export and the number is increasing day by day. To ensure maximum growth and financial securities to the exporters, banks should focus more on this sector rather conventional banking.

This internship report is prepared though critical observation and findings. The report not only gives the idea of export operation but also the partial idea of foreign exchange operation of Jamuna Bank Limited. Though the observation made on this report was fully dependent on Dhanmondi Branch's operation, it also gives an overview of the overall bank's performance.

Jamuna Bank Limited has proven to be a competitive player in the market with its service and offerings to its clients. Foreign exchange performance is growing and bringing more opportunities for the bank. Services should be more flexible to ensure maximum level customer satisfaction. The growth in its overall banking offerings gives JBL an opportunity to explore more in this sector. Sustainable growth and quality service will lead the bank to be the partner for their customer's progress.

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