Report On

Transferable Letters of Credit in Foreign Trade from BRAC Bank's Export Department

By

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ID- 20304024

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

BRAC BUSINESS SCHOOL
BRAC University

February, 2025

Declaration

It is officially announced that,

1. This internship report shows what I did while studying at BRAC University.
2. The report should not use any material from other sources unless it is cited and credited properly.
3. The report does not include work that has been submitted for any other degree or certificate at any school or institution.

Full Name and Signature of Student:

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KM Safin Ahmed Prottoy

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BRAC Business School (BBS)

BRAC university

Full Name and Signature of Supervisor:

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Mohammad Mujibul Haque, PhD Professor & Associate Dean (Acting Dean)

BRAC Business School ,BRAC University

Letter of Transmittal

Mohammad Mujibul Haque, PhD

Professor & Associate Dean (Acting Dean)

BRAC Business School (BBS)

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Kha-224 Merul Badda

Dhaka 1212. Bangladesh

Subject: Internship Report Submission on **- Transferable Letters of Credit in Foreign Trade from BRAC Bank's Export Department**

Dear Sir,

I am grateful for the chance to submit my internship report in accordance with all of the criteria of the internship program at BRAC Business School. I worked as in intern for 3 months in the Export Processing unit of the Trade department at BRAC Bank PLC. I completed my report by gathering the most relevant material from reputable sources. Hence, I am confident enough that the report will fulfill all required standards.

Regards,

KM Safin Ahmed Prottoy

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BRAC university

Non-Disclosure Agreement

The report confirms that it does not contain any confidential or personal information from BRAC Bank PLC and has been signed by a student at BRAC University, KM Safin Ahmed Prottoy, after receiving sensitive information from the organization. The agreement is made to attest to the confidentiality of the information.

Regards,

KM Safin Ahmed Prottoy

ID- 20304024

BRAC Business School (BBS)

BRAC university

Mohammad Anamul Hoque, Head of Export, Trade Operations

Acknowledgement

I want to begin by thanking Allah for providing me the courage and ability to finish my responsibilities and compose this report under such unique conditions. I am really thankful to my faculty supervisor, Dr. Mohammad Mujibul Haque, a Professor and Associate Dean of BRAC Business School. I am especially grateful for his excellent counsel, useful feedback, and unwavering support for all of which were very instrumental in the writing of my report. His constant support motivated me to work hard for the accurate completion of this report. I'd also want to thank my onsite supervisor, Mohammad Anamul Hoque, Head of Export, Trade Operations of BRAC Bank PLC. His invaluable assistance and inspiration throughout my internship made this journey enriching. Despite his hectic schedule, his counsel and support were really beneficial to me. His guidance and support were very monumental.

Executive Summary

I completed my internship in the Trade Operations department of BRAC Bank PLC. Over this 3-month journey I was placed within the export processing unit of the trade department. My primary responsibilities included managing Transferable Letters of Credit (TLCs) by ensuring a compliant and accurate documentation. Also, I analyzed the workflow if TLC processing to identify inefficiencies and compliance risk for my internship report.

The opportunity to work in BRAC Bank's Export Department has given me valuable insights of their business. Through this report, we can better understand the performance, quality, and service standards that distinguish BRAC Bank in this sector. The organizational study examines various practices that includes the operational workflows, financial strategies, compliance measures, and customer satisfaction. Through conducting a detailed analysis, the findings aim to shed light on how the Bank strengthened its role through a more optimized operations through innovative strategies. A major highlight of my internship was researching the role of TLCs in supporting buying houses within the RMG sector for my project part. I examined how BRAC Bank's innovative "Buying House Solutions" team addressed challenges like commission delays and ensured confidentiality in TLC transactions.

My research revealed that BRAC Bank PLC is committed to exceling growth in the foreign trade sector. From 2021 to 2023 the foreign trade income showed significant growth due to the focus on this particular market. However, challenges such as regulatory constraints and documentation error remains as hurdles in the path of seamless efficiency. Addressing these issues will strengthen BRAC Bank's role even more in the foreign trade sector.

My aim of this enriching experience was to bridge the gap between academic and industry wide practices. I gained insights into international trade, financial compliance and corporate culture. This opportunity enhanced my professional skills.

Based on my learnings I recommend digitizing TLC processes further. By focusing on these changes, the bank will improve both operational efficiency and financial performance.

Contents

Chapter 1: Overview of Internship

1.1 Student Information:

Student Name: KM Safin Ahmed Prottoy

ID: 20304024

Program: Bachelor of Business Administration (BBA)

Major: Finance

1.2 Internship Information

1.2.1 Company Information

Company Name: BRAC Bank PLC.

Department: Trade Operations

Address: Anik Tower, 220/B Tejgaon Gulshan Link Road, Tejgaon, Dhaka-1208; Dhaka, Bangladesh

1.2.2 Internship Company Supervisor's Information: Name and Position

Name: Mohammad Anamul Hoque

Designation: Head of Export, Trade Operations

Email: ma.hoq@BRACBank.com

1.2.3 Job/Internship Scope

The Banking industry is one of the largest and most challenging sectors, as Banks must provide a wide range of products and services to diverse customers. Numerous departments exist within a Bank, each carrying out different types of activities. However, the focus of this report is confined to a specific area within BRAC Bank PLC, namely the Trade Operations Department. In conclusion, this study is exclusively centered on the operations of Foreign Trade Division.

1.3 Internship outcomes

1.3.1 Contribution to the company (BRAC Bank PLC)

I completed an internship in the Trade Operations Department of BRAC Bank PLC., during which my assigned responsibilities helped to alleviate some of the team's workload. Initially, I focused on organizing files and identifying mistakes in the LC documents while also conducting research for a foundational understanding of those documents. Following that, I entered credit report information into the CRD website. A critical aspect of the LC process was price verification, and I was given that responsibility, along with sorting and endorsing LC documents. I would have preferred to engage in tasks similar to those handled by other employees, but due to confidentiality, I wasn't able to be taught everything unless I was a permanent employee; however, they still shared a wealth of knowledge with me within those constraints.

1.3.2 Benefits to the student (Intern)

I was fortunate to gain a wealth of knowledge during this experience. I learned about the entire LC process. Although my tasks were primarily desk-related, I gained numerous other insights:

- How to perform under pressure? I often sorted documents for filing or endorsing while simultaneously verifying prices and checking lists. I had to make quick decisions about which tasks to prioritize.
- How to communicate and deliver documents effectively to clients?
- How an office operates and the importance of professional etiquette?

1.3.3 Difficulties faced during internship period

The most challenging aspect of this internship was maintaining anonymity of LC-related work and information, which might be sensitive and difficult to obtain from external sources. So, there was very little information supplied to me, and as a result, I omitted several important details to include. Time was a limitation as learning more about LC required more time.

1.3.4 Recommendations to the company

My sole request is to provide a good sitting accommodation for interns.

Chapter 2: Organization Part

2.1 Introduction

2.1.1 Objective

The overall objective is finding out how BRAC Bank is driving the financial sector. What are the essentials for maintaining the lead over time? BRAC Bank has a solid position and boosts the economy as everyone is aware. The main objectives of this organizational division are to comprehend how BRAC Bank does its business. BRAC Bank has employed a number of tactics to successfully compete with its rivals in the market. The major objective of BRAC Bank is to determine the operational duties and uphold the regulations required for structural maintenance. Additionally, there are a number of supplementary goals to take into account.

There are also several secondary objectives that is considered. They are –

1. To analyze the organizational assembly and leadership style of BRAC Bank PLC.
2. To examine BRAC Bank PLCS's marketing channels and its products.
3. To examine BRAC Bank PLCS's financial performance and accounting guidelines.
4. To portray the significance of various departments and their role in the operations of the organization.

To sum up, the report will offer a thorough justification of these essential objectives.

2.1.2 Scope

BRAC Bank is one of the most powerful banks in Bangladesh and makes a substantial economic contribution to the nation. BRAC Bank advantages and shortcomings have become clear to us as a result of this study and the investigation that followed. Nonetheless, the following are some indicators of the internal work that can be seen in this report. The scope of this report includes observations on the following indicators:

- Examining BRAC Bank's policies, operations, and hierarchy.
- Learning about the operational workflow and challenges of BRAC Bank
- Discover the insights gained from BRAC Bank and make a particular observation.
- Analyzing the opportunities and challenges BRAC Bank faces in the market and the strategies used to overcome them.

2.1.3 Methodology

The internship report displays a combination of both qualitative and quantitative analysis. The analysis of the organizational part consists qualitative data and the financial analysis part consists of quantitative data.

Sources of Data:

1.Primary Data: During my internship, I had the opportunity to work in the foreign trade department. From this experience I have gathered a wealth of data through my observation and talking with the employees.

2.Secondary source:

- BRAC Bank PLC annual report (2021 to 2023) and their online website.
- Recent news articles, columns and journals.
- Preliminary reports, Financial statements available online

2.1.4 Significance

The opportunity to work in BRAC Bank's Export Department has given me valuable insights of their business. Through this report, we can hope to better understand the performance, quality, and service standards that distinguish BRAC Bank in this sector. This organizational study examines various practices that includes the operational workflows, financial strategies, compliance measures, and customer satisfaction. By conducting a detailed analysis, the findings aim to shed light on how the Bank can further strengthen its role through a more optimized operations through innovative strategies. The analysis not only benefits BRAC Bank by offering insights from a student's perspective but also contributes to the broader understanding of private banking solutions in Bangladesh's growing banking economy.

2.1.5 Limitations

During my job, I encountered several constraints –

- Limited access to information. Unfortunately, I am unable to create a comprehensive data-driven report due to confidentiality restrictions imposed by the institutions. So, I relied heavily on secondary data sources.

- Busy schedules of the team members and leadership managers. Also due to limited time constraints and busy work schedules getting data in time was very difficult. However, the data I collected is comprehensive and provides an overview of the objectives mentioned.

2.2 Outline of BRAC Bank PLC

Figure- BRAC Bank PLC Logo

2.2.1 Bank View

Name	BRAC Bank PLC
Established	**2001**
Headquarter	**1208- Dhaka , Anik Tower, Tejgaon-Gulshan Link Road,**
Employees	**11676**
Full Asset	**BDT 727 Bn**
Branches	**189**
Agent Banking Outlets	**1114**
SME Unit Offices	**446**
ATMs	**329**
RCDMs	**68**
CRMs	**52**

Table - Company Glance

2.2.2 Introduction

A commercial bank called BRAC Bank PLC was founded in Bangladesh. It was established under the Banking Companies Act of 1991, and on May 20, 1999, it was registered as a Private Limited company under the Companies Act of 1994. On July 4, 2001, however, the Bank formally opened for business. The biggest non-governmental organization in the world founded BRAC Bank, which is regarded as a new generation bank. Integrating Bangladesh's economically disadvantaged citizens into the financial system is its goal. Small and medium-sized businesses were often less likely to receive loans from banks at the time. BRAC realized it needed a financial partner because of its vast experience in humanitarian and social entrepreneurial projects. Consequently, BRAC Bank PLC came in to function as a commercial bank in this industry. In terms of ideology and profitability, it proves to be a major player in from its inception. The company is divided into four sections: Treasury and Financial Institutions, Corporate Banking, Retail Banking, and SME Banking. The main departments are Corporate, SME and Retail Banking. With 446 SME units, 1114 Agent Banking locations, 329 ATM and 52 CRMs around the country is functions effectively. More than 1.2 million people are already clients of BRAC Bank Ltd., which also offers a dedicated online banking service. With 7,085 employees, the Bank has a sizable multimedia staff committed to the fundamental value of customer service. One distinctive feature of BRAC Bank Ltd.'s corporate culture has persisted since its founding. People, the environment, and happiness are the three main Ps that BRAC Bank Ltd. is delighted to emphasize as outlining its long-term objectives and strategic approach.

2.2.3 BRAC Bank PLC Founding History

BRAC was first established in 1972 at Shallah Upazillah, Sunamganj, by Sir Fazle Hasan Abed as a small-scale relief and rehabilitation project to aid returning war refugees in the wake of the 1971 Bangladesh Liberation War. Previously known as the Bangladesh Rehabilitation Assistance Committee and the Bangladesh Rural Advancement Committee, the organization is now known as Building Resources Across Communities. BRAC Bank PLC, one of BRAC's many projects, was established on July 4, 2001, by entrepreneur and philanthropist Firoz Ahmed, who also acts as the board of directors' chairman (Jafrin, 2022).

To grant access to financial services for small and medium-sized business owners categorized as "unbanked," BRAC Bank PLC was formed. Drawing inspiration from its parent organization

BRAC, the largest NGO globally, this Bank offered small loans to small and medium-sized enterprises (SMEs) with the goal of bringing the typical entrepreneur into the realm of formal Banking. Loans to small and medium-sized businesses account for over half of the Bank's lending portfolio (Mazid, 2021). BBL stepped in to assist owners of unbanked SME enterprises when it became extremely difficult for them to obtain finance within Bangladesh's banking sector (BRAC Bank PLC 2024). All of BRAC Bank's operations are based on the same ideals that led to its founding. It is a dynamic, goal-oriented company. There is only one member from Bangladesh in the Global Alliance for Banking on Values (GABV), and that is BRAC Bank. 66 financial institutions from Asia, Australia, Africa, Europe, Latin America, and North America make up the Global Alliance. Together, these organizations provide services to over 60 million customers, oversee assets worth up to USD 200 billion, and are supported by a network of 80,000 workers (BRAC Bank PLC 2024).

2.2.4 Corporate Vision

‘Building a profitable and socially responsible financial institution focused on market and business with growth potential, thereby assisting BRAC and its stakeholders to build a just, enlightened, healthy democratic and poverty free Bangladesh’. - Annual Report 2023

2.2.5 Corporate Mission

- Sustainable growth in Small & Medium Enterprise sector;
- Continuous low-cost deposit Growth with controlled growth in retail assets;
- Corporate Assets to be funded through self-liability mobilization;
- Growth in Assets through syndications and investment in faster growing sectors;
- Continuous endeavor to increase non-funded income;
- Keep our debt charges at 2% to maintain a steady profitable growth
- Achieve efficient synergies between the Bank's branches, SME unit offices and BRAC field offices for delivery of remittance and the Bank's other products and services;
- Manage various lines of business in a full controlled environment with no compromise compliance and on service quality;
- Keep a diverse, far flung team fully motivated and driven towards materializing the Bank's vision into reality

  \- Annual Report 2023

2.2.6 Corporate Values

BRAC Bank is an organization, where its values are at the core of every activity. As a values-based bank, it believes in 3P philosophy of People, Planet and Prosperity. It shares the Principles of Values-Based Banking which underpin all that the bank does.

- Integrity - Manifesting the quality of being honest, exhibiting consistent behavioral traits guided by principals of morals and ethical code of conduct defined by the bank.
- Innovation - It is an act or process of introducing new ideas, methods, devices or technologies aimed to get better results with less input.
- Inclusiveness - 'Inclusiveness' means diverse mix of feelings, ideas, and people from all sections or society.
- Customer Centricity - 'Customer Centricity' means engaging with customer to provide any service and continuously enhancing customer experience.
- Effectiveness - 'Effectiveness' means producing an output expected by the stakeholders and also making an impact to the business
  - Annual Report 2023

2.2.7 Achievements and Recognitions

Our Prestigious Awards-

- US$ 1 billion market capitalization in the capital market
- Asia money's "Best Bank for SMEs" 2017
- SAFA Awards for the Best Presented Annual Report 2016
- ICMAB Best Corporate Awards 2016
- ICAB Best Published Annual Reports 2016 Awards for Private Sector Banks
- Asian Development Bank's "Most Progressive Bank on Gender Strategy and Implementation 2017"
- Women's Market Champion Award from the Global Banking Alliance for Women (GBA)
- ISO Certification in Information Security

2.2.8 BRAC Bank PLC Departments

1. Corporate Banking

2. Credit Risk Management
3. Treasury & Financial Institutions
4. Human Resources
5. Retail Banking
6. Small & Medium Enterprises (SME)
7. Cash Management & Custodial Services
8. Finance & Accounts
9. Communications
10. Research & Development
11. Operations
12. Information Technology
13. Risk Management
14. Special Asset Management

2.2.9 BRAC Bank PLC Subsidiaries:

1. Bkash Limited.
2. BRAC EPL Investment Limited.
3. BRAC Saajan Exchange Limited.
4. BRAC EPL Stock Brokerage Limited.

2.3 Management Practices

Management involves overseeing and organizing both personnel and tasks. At BRAC Bank PLC, employees are regarded as the organization's most important asset. To gain a competitive edge and make the most of each employee's unique talents for improved outcomes, BB PLC treats each employee as an individual. By striving to understand their staff members personally and identifying their strengths, managers can enhance productivity and performance across the organization while fostering employee development. Employees are provided with all necessary training and development opportunities to help them achieve peak productivity for the company. Furthermore, the Human Resource department recruits top-tier competition through tailored assessments that meets the specific job roles effectively. BB PLC remains committed to their mission of empowering employees to be technologically proficient and client-centric. At BRAC Bank PLC, employee prioritization is key to enabling staff to excel, tackle challenges, and progress in their careers. The Bank's human resources strategy is shaped around cultivating an enriching experience, where individuals will be growth driven to meet a demanding environment:

- Modernizing workstations by establishing new work practices
- Enhancing personnel capabilities by boosting growth mindset
- Equipping with advanced tools and strategies for long term sustenance

BB PLC continues to develop a workforce in commitment to its values. By their strong value schemes helpful for both employees and organization equally. Thus with greater member engagement results in higher stages of productivity.

2.3.1 Organogram

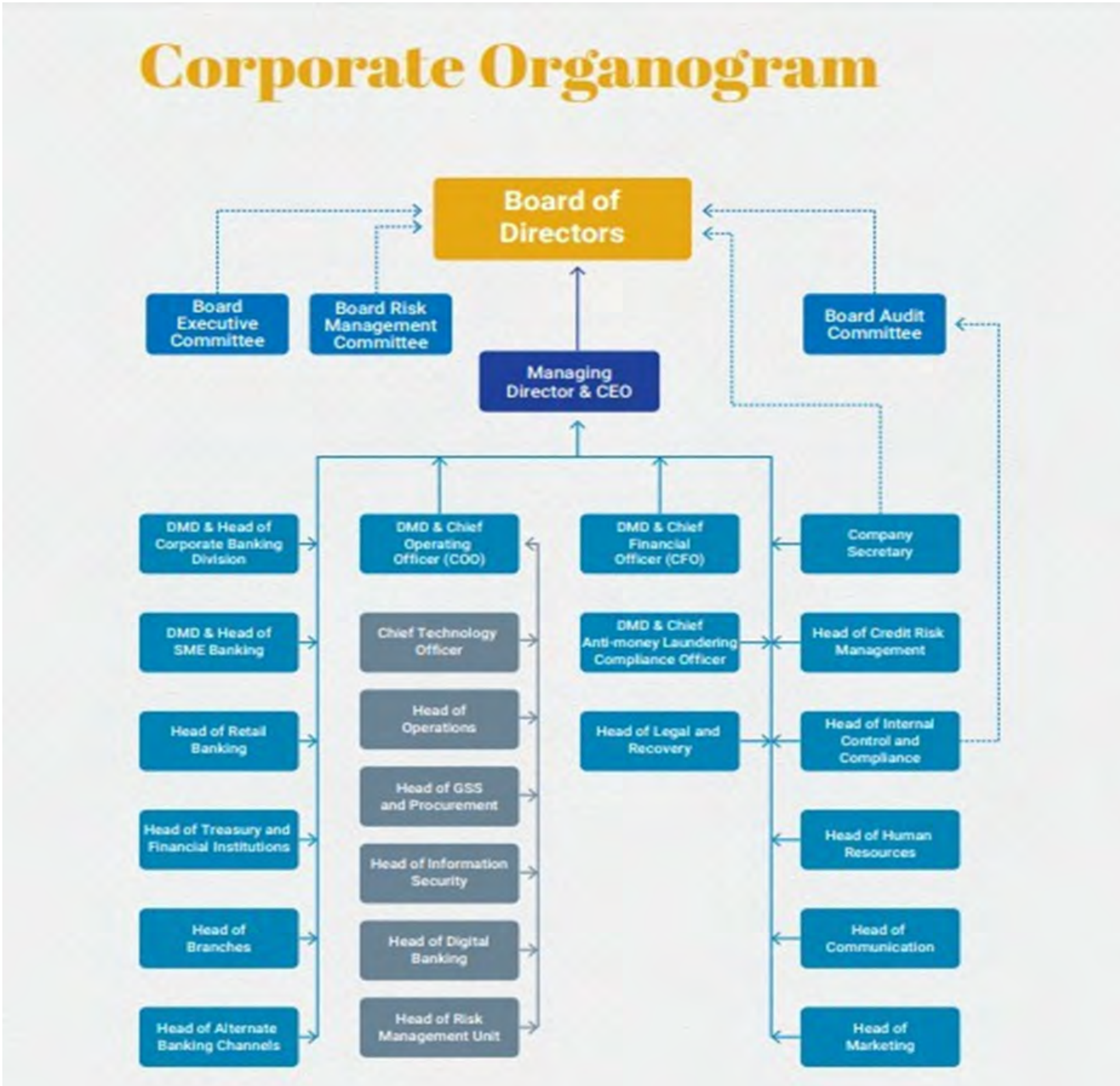

Figure -BRAC Bank PLC Organogram

2.3.2 The Human Resource (HR) Department

The initiatives in Human Resources Development facilitate the Bank in fulfilling its mission. One of its four main objectives states, "Deliver service to our customers backed by a talented and committed workforce whose creativity, innovative efforts, and successful attitude set us apart in offering quality service to all clients and individuals we support." Exceptional actions, along with a skilled and loyal team possessing unique talents, are often not easily accessible. Acknowledging the scarcity of the required expertise significant importance on human resource growth was placed by the bank. it included procedures like employment assessments, recruitment, onboarding, training at the Institute, employee growth, job placement, salary, and advancements. The management of the institution is aware of the necessity for talent not only for routine banking operations but also for skills required to respond to the swiftly evolving dynamic banking landscape. The process focuses mostly on fulfilling the need of innovative skills arising because of *the Financial Sector Reform Program (FSRP).* In addition, the Human Resources Division at BRAC Bank PLC plays a crucial role. Managing over 11,676 employees is an inspiring duty, and the department strives to perform this duty efficiently. Besides routine operations, HRD organizes two major recruiting events each year for Customer Relations Manager and Management Trainee Officer roles. Ensuring collaboration among branch offices throughout Bangladesh presents a significant challenge for HRD. The division is making efforts to automate numerous HR processes. In 2007, two new systems were introduced. They were E-Learning and E-Attendance automated systems. These systems help gather insight and encouraged employees for honest feedback. This help the human resource department to be effective.

2.3.4 Compensation & Benefits:

To maintain market competitiveness, the organization conducts regular evaluations of compensation and benefits by comparing them with the market and similar Banks. The compensation programs are designed to attract, engage, and retain employees. The Board of Directors receives allowances for attending meetings, while employees are compensated fairly for their contributions without any gender discrimination. The organization offers a monthly base salary, allowances, and attractive benefits that surpass market standards.

- Executive-level employees receive a car allowance.
- Assistance with leave fare is provided.
- There is a medical treatment allowance.
- Maternity benefits are available.
- A car loan facility is offered.
- A housing loan facility is also in place.
- Staff can access loans at lower interest rates.
- An allowance for furnishing homes is provided.

- Employees receive a mobile phone allowance.
- A travel allowance is included.
- Technical allowances are granted.
- A festival bonus is provided.
- An allowance is available for employees' high-achieving students.
- Annual leave is granted.
- Maternity leave is offered.
- Study leaves are also available, among other benefits.
- Additionally, the Bank provides both long-term and retirement benefits for its employees:
- Leave encashment is available.
- A provident fund is offered.
- There are gratuity benefits.
- Retirement benefits are included.
- Partial and full disability benefits are provided.
- A death benefit for family members is also available.

To ensure equal opportunity, all personnel-related matters at BRAC Bank are governed by clearly defined policies and procedures, which are regularly reviewed by Management.

Takeaway- The main focus of BRAC banks human resource department has been keen on growth through talent acquisition initiatives, automation and attractive compensation. Their main challenges in this offering are talent scarcity, coordination and limited employee engagement strategies. So to tackle this problem the bank should expand on digital HR solutions with the aim to strengthen internal communication and to introduce a continuous learning program that improves retention and engagement.

2.4 Marketing Practices

2.4.1 Products and Services

Customers can choose from different servings. Customized banking services are a key feature of retail banking. At BB PLC, four great types of banking solutions, each with different products are found and described below:

1.SME Banking:

BRAC Bank has started a mission to help small and medium-sized businesses (SMEs). The bank supports the country's talented workers. After the country's fight for independence, most banks focused their money on big companies, ignoring smaller businesses that had a lot of potential. These smaller businesses were called the "missing middle. " Even though they could help the economy, they struggled because they didn't get enough funding. To fix this problem and give them better support, BRAC Bank provides loans specifically for SMEs.

SME Products are categorized into two main types:

• **Prapti Current Account**
• **Shadhin Current Account**
• **Prothom Account SHONCHOY Monthly Savings Scheme**
• **Prachurjo Fixed Deposit**
• **Tara Sme Deposit**
• **TARA Shonchoy Monthly Savings Scheme**
• **Uddipon Fixed Deposit**
• **Dipto Fixed Deposit**
• **EKOTA Current Account**

<u>2. Retail Banking</u>

This segment provides a various range of services to its clients. The retail banking strategy of BRAC Bank PLC is to customize products depending on the customer's profile. The services found are given below-

Home Loan
Personal Loan ĒĀċđĉē
Personal Loan ä ñđčẻ
Personal Loan (čĔąāđ) Digital Personal Loan
Auto Loan
Savings Account
Current Account
Term Deposits

3. Corporate Banking

Corporate banking products:

Project Financing
Working Capital Financing
Capital Machinery Financing
Lease Financing

BRAC Bank uses both quantitative and qualitative advertising tactics to sell its goods..

Quantitative: The organization's quantitative promotional plan states the goals that must be met within a specific time range. Earning money is the Bank's key aim, since it will provide significant expansion potential. Currently, the Bank serves 200,000 depositors of all sorts and aspires to add 100,000 clients in the next years.

- Enhancing Sales: Because sales are critical to any organization, boosting them is necessary. The Bank's primary source of revenue is loan interest, which necessitates enough funding for lending and maintaining adequate solvency. payments in various accounts like savings, current, and fixed deposit plans fulfill the key financing font.

BRAC Bank PLC has thrown significant advertising activities towards unattended customers for increase in number of clients..

- Sales Approach: New business selling transaction accounts (TA). In reality, Bangladesh has never met a BRAC ATM before its launch in early 2005. Because these products are new in the market, they are using an innovative business strategy to sell ATM cards linked to Transaction Accounts.
- Missionary Selling for High Net Worth (HNW) Clients: HNW (High Network) sales managers handle a high number of clients using the Missionary Selling strategy. When it comes to advertising new business prospects, BRAC Bank's salespeople must be both inventive and energetic. As a result, they must continually study new clients in supervision of the management.

Qualitative: This strategy shows the longstanding goals that the bank wants to reach in future. They have set short-range goals for the next immediate periods during when all focus will be on reaching these targets. Since it started, BRAC Bank has become the top choice for small loans for both new and existing businesses. The bank has a varied approach in offerings similar to what bigger banks provide. Its long-term goal is to lead the banking industry, and to reach this goal the temporary aims are-.

- Physical Outreach: Business growth occurs when it enters new territory or establishes limits. BRAC Bank's founding slogan is - “The Fastest Growing Bank." in-fact in five years’ time the target is to be in more than 60 districts.
- Advertising Means: The success of an institution nowadays totally reliant on advertising methods to endorse offerings. BRAC Bank markets using billboards, pamphlets, booklets, with and commercials. The core advertising team consists of BRAC Bank PLC’S Client Relationship Officer, Branch Sales and Service Officer. Satisfied clients frequently recommend BRAC Bank's goods to others.
- New Customer Segment: BRAC Bank has a large client base that includes both corporate and family deposits. To support its rapid expansion, it is investigating novel areas and user demographics. Smart the human resources section has realized that many students from wealthy households attend private institutions. As a result, offering an A1M card to this group may represent a potential business opportunity.

2.4.2 Target Customers

Target Consumer Group:

• **Nongovernmental Organizations (NGOs)**
• **Multinational Corporations (MNCs)**
• **Prominent Organizations**
• **Corporations (small, medium, and large)**
• **Trading Companies**

2.4.3 Marketing Networks

BRAC Bank PLC has a strong distribution network that can disseminate its marketing activities across the country. BRAC Bank now conducts marketing activities via 329 ATM terminals and has 189 branches located around the nation. In addition, the Bank promotes its services through a variety of festivities, events, and promotional initiatives. They also take part in philanthropic efforts and social welfare activities.

BRAC Bank PLC’s 3P

The "3P" principle—People, Planet, and Prosperity—is central to BRAC Bank's commitment to sustainability. By adhering to these essential principles, they operate in a way that has a wide-ranging influence, benefitting all of its stakeholders with the ideals of the Global Alliance for Banking (GABV), of which BB PLC is the proud and only member from Bangladesh.
BRAC Bank PLC promotes a culture of sustainability, and effective governance. And as a GABV ally the following ideals are also practiced:

Figure- BRAC Bank PLC’s 3P

People Focus:

● The Bank provides a variety of products and solutions, including corporate loans, SME credit, personal loans, and affordable financing choices for female entrepreneurs, to meet a wide range of needs and requirements. This helps them to easily integrate into their customers' life.

●Over the last two decades, they have developed to increase their effect on development, particularly as pioneers in Bangladesh's SME lending sector. In 2021, the Bank granted loans amounting more over BDT 134,621 million to 145,972 SMEs, outperforming the market value of previous times.

Planet Focus:

- As a key player in the financial services sector, BRAC Bank influences a wide range of stakeholders, including individuals, businesses, communities, and the environment.
- BBL ensures that the companies receiving financing comply with established environmental standards, as it is a member of the GABV.

- To foster a culture of responsible lending, they have formed partnerships with prominent international organizations and local entities to implement capacity-building programs.

Prosperity Focus:

- Their shared prosperity commitment includes improving access to financing to promote Bangladesh's growth.
- To promote comprehensive socioeconomic improvement, they successfully integrate and utilize sustainable development ideas.

2.4.4 Online Platforms

BRAC Bank PLC has pages and profiles on every established social media site. It uses these platforms to promote its most recent goods, schemes, or deals, as well as its programs and events, while also presenting various tales of the individuals who make up their team.

Takeaway – The marketing practice of BRAC bank focuses particularly on SME, retail and corporate banking. The strengths of the bank include a strong distribution network, diverse customer base and a particular sustainability focus (3P). The aspect that is challenging for them is the limited digital engagement and evolving customer needs. So the bank should strengthen their online marketing approaches for a better personalized banking solution. This will enhance growth and customer retention.

2.5 Financial Performance and Accounting Practices

2.5.1 Financial Performance of BB PLC'S

The analysis of financial performance is carried out to evaluate the viability, stability, and profitability of a business, sub-business, or project. For my internship report, I performed horizontal, vertical, and ratio analyses to determine the financial performance of BRAC Bank. I gathered data from the annual reports of BRAC Bank for the years 2023, 2022, and 2021. In my ratio analysis, I utilized the following types of ratios:

- Liquidity ratios
- Efficiency ratios
- Debt ratios

- Profitability ratios
- Market ratios

Horizontal Analysis

Horizontal analysis offers insights into the Bank's growth. By applying the ensuing formula: Change since base period = (Current year amount - Base year amount) / Base year amount. In this table, the current year is 2023 while the base year is 2019.

BRAC BANK FINANCIALS									
Horizontal Analysis									
Metrics	**2023**	**Change**	**2022**	**Change**	**2021**	**Change**	**2020**	**Change**	**2019**
Total Assets	726,723	29.02%	563,271	25.4%	449,084	13%	397,502	8%	369,404
Deposits	513,909	33.67%	384,467	22.2%	314,591	9%	289,054	8%	268,309
Loans & Advances	519,452	26.49%	410,676	27.9%	321,212	18%	273,063	3%	264,091
Total Revenue	31,610	18.96%	26,571	13.7%	23,364	15%	20,336	-5%	21,388
Operating profit	13,930	25.17%	11,129	1.7%	10,944	27%	8,602	-14%	9,948
Net Profit After Tax	7,304	26.74%	5,763	3.9%	5,547	22%	4,541	-20%	5,646

Figure- Table Horizontal Analysis

Interpretation - BRAC Bank's financial results from 2019 to 2023 demonstrate substantial growth. The total assets showed an impressive rise of 29.02% at 2023 from 8% growth of 2019. This indicates significant expansion in resources. Deposits also witnessed a substantial increase, it climbed by 33.67% in 2023. Therefore, it showcases effective customer acquisition strategies. Loans and advances showed massive growth from 3% in 2019 and maintained levels between 26 to 27% in recent years. Thus it reflects active lending practices. Revenue has steadily risen over the years with the most recent year 2023 showing a growth of 18.96%. Notably, profitability improved of both operating profit and net profit after tax. Significant increases in 2023 is found. In summary, BRAC Bank demonstrated strong financial performance through accelerating growth in key areas. It suggests effective management and a promising upward trajectory in coming times.

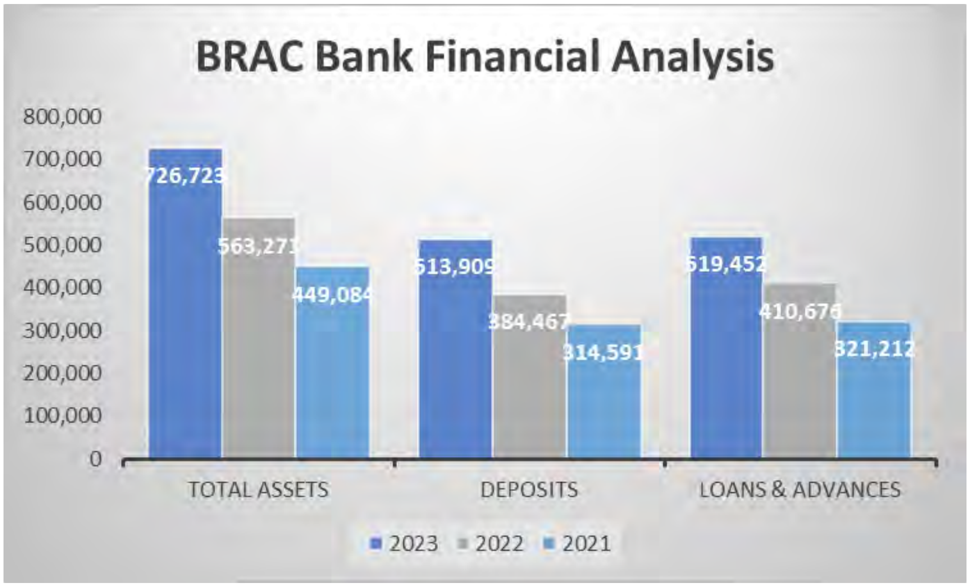

Figure- Graph Horizontal Analysis

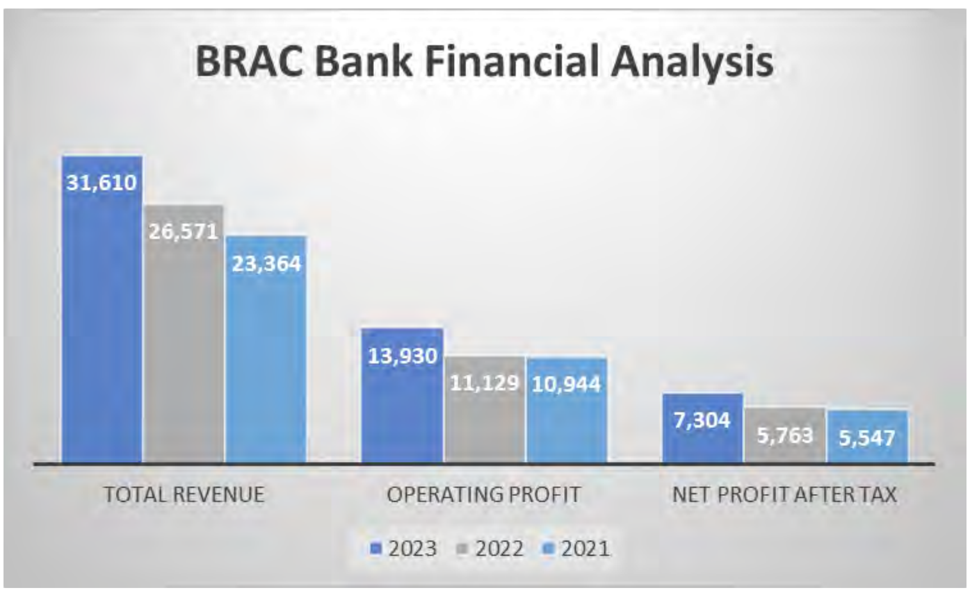

Figure- Graph Horizontal Analysis

<u>Vertical Analysis</u>

In Vertical Analysis, the following equation is applied:

(Every element of the Profit & Loss Account / Total Operating Income) = %

Vertical Analysis									
Metrics	2023		2022		2021		2020		2019
	BDT ' Millions	Percentage	BDT ' Millions	Percentage	BDT ' Millions	Percentage	BDT ' Millions	Percentage	BDT ' Millions
Net Interest Income	17,718	33%	15,235	38%	13,997	45%	11,207	-25%	15,038
Total Operating Income	31,610	60%	26,571	67%	23,364	75%	20,336	-5%	21,388
Total operating Expenses	17,680	33%	15,442	39%	12,420	40%	11,734	3%	11,440
Total profit before tax	11,013	21%	8,939	22%	7,890	25%	6,735	-21%	8,505
Net profit after tax	7,304	14%	5,763	14%	5,547	18%	4,541	-20%	5,646

Figure- Table Vertical Analysis

Interpretation - BRAC Bank's vertical analysis from years 2019 to 2023 reveals a vital shift in its income structure. The net interest income that accounted for 45% of total operating income in 2021 decreased to 33% by 2023. A reduced reliance on conventional lending methods is implied. Meanwhile, total operating income has increased which is a rise in non-interest income avenues such as- fees and commissions. It illustrates successful diversification efforts. Operating expenses have remained fairly stable at 33-40% of operating income. Thus, demonstrating efficient cost management practices. Profitability, encompassing both pre-tax and after-tax figures, has remained consistent despite all these developments. In summary, BRAC Bank is strategically expanding its income streams while maintaining stable profitability through efficient cost control.

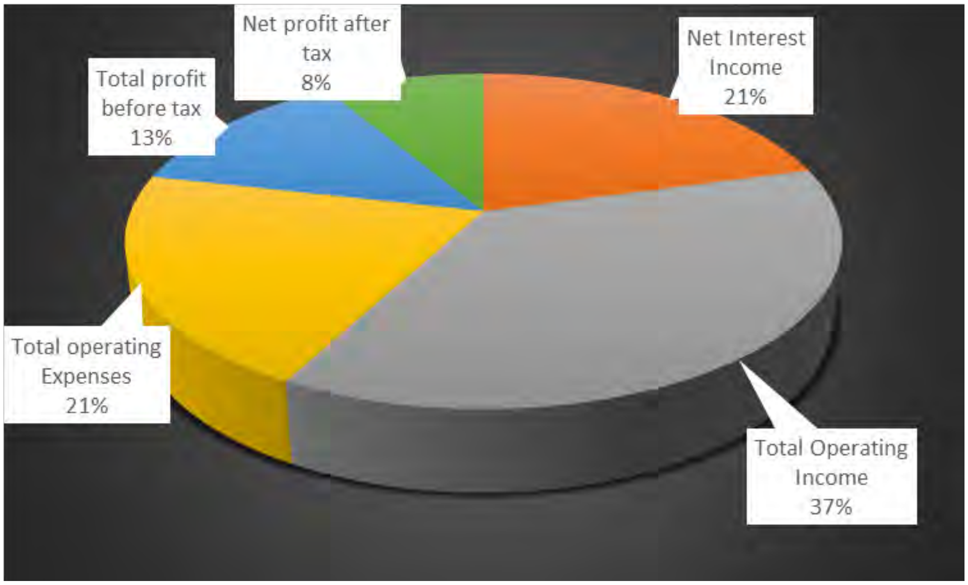

Figure- Bar Chart Vertical Analysis

Ratio Analysis

Liquidity ratios	2023	2022	2021	2020	2019
Current Ratio	118%	108%	111%	105%	106%
Quick Ratio	115%	106%	109%	103%	104%
Liquid Asset Ratio	34%	29%	27%	32.03%	26.45%
Profitability ratio					
Return on Assets (ROA)	1.13%	1.14%	1.31%	1.19%	1.64%
Net Profit margin	14%	14%	18%	13%	16%
Return on equity	11.95%	10.22%	11.00%	10.69%	15.60%
Debt ratios					
Debt equity ratio (times)	9.76	8.05	6.65	6.98	7.84
Efficiency ratio					
Total Asset Turnover Ratio	4.35%	4.72%	5.20%	5.12%	5.79%
Cost-to-Income Ratio	56%	58%	53%	58%	53%
Market ratio					
Price-Earnings Ratio (P/E Ratio)	7.89	10.75	13.88	12.94	12.47

Figure- Table Ratio Analysis

Interpretation - BRAC Bank's financial ratios from years 2019 to 2023 showcase a diverse picture. The liquidity position remains strong as evidenced by solid current and quick ratios. In addition, there is a rising liquid asset ratio. However, there are concerns regarding profitability: ROA has seen a minor decrease, although ROE showed improvement in 2023 after a prior decline. The consistent net profit margin over the recent years is a healthy positive sign. A major worry though is the increasing debt-to-equity ratio. It suggests a growing reliance on leveraged positions. Furthermore, the efficiency has deteriorated by a falling asset turnover ratio and a cost-to-income ratio. Lastly, the ongoing decrease in the P/E ratio points to diminishing investor confidence. While short-term liquidity is being effectively managed BRAC Bank needs to address concerns related to profitability, efficiency, and rising debt to ensure sustainable growth and enhance investor trust.

2.5.2 Du-Pont Analysis Framework

DuPont analysis serves as a metric that indicates the profit a company generates relative to the total shareholders' equity shown on the balance sheet. Essentially, the DuPont formula offers a more comprehensive view of the return a Bank is generating on its equity. It highlights the Bank's strengths and identifies areas where there is potential for enhancement. Therefore, it enables thorough evaluation and promotes a continuous path toward improvement.

DuPont Analysis					
Metrics	**2023**	**2022**	**2021**	**2020**	**2019**
Net Interest Income	2.75%	3.01%	3.31%	2.92%	4.55%
Non Interest Income	0.98%	1.22%	0.85%	0.70%	0.90%
Operating income	4.90%	5.25%	5.52%	5.31%	6.45%
Operating expenses	2.74%	3.05%	2.94%	3.06%	3.48%
Cost/Income	55.93%	58.11%	53.16%	57.70%	53.97%
Profit before provisions	2.16%	2.20%	2.59%	2.24%	2.97%
Provisions	0.45%	0.43%	0.72%	0.49%	0.25%
Profit before tax	1.71%	1.77%	1.86%	1.76%	2.72%
Effective Tax rate	33.68%	35.53%	29.69%	32.58%	33.62%
NCI	3.18%	3.93%	4.67%	1.47%	2.17%
Net Profit After Tax	7304	5763	5547	4,541	5,646
RoA	1.13%	1.14%	1.31%	1.18%	1.87%
Assets/Equity	10.56	8.97	8.39	8.97	10.32
RoE	11.95%	10.22%	11.00%	10.63%	19.25%

Figure- Table Dupont Analysis

Interpretation - BRAC Bank's Dupont analysis indicates that the Bank achieved a net profit after tax of BDT 7,304 million compared to (2019: 5,646 million), resulting in a return on assets of 1.13% compared to (2019: 1.187%) and a return on equity of 11.95% compared to (2019: 19.25%). The net profit margin saw a 27% rise over the year which was primarily due to a 19% increase in operating income.

2.5.2 CAMELS Rating

CAMEL RATING OF BRAC BANK PLC						
CAMELS METRIC	RATING (Out of 5)	2019	2020	2021	2022	2023
Capital Adequacy (C)	2	CRAR- 15.07%	14.55%	14.36%	14.04%	14.00%
Asset Quality (A)	2	NPL- 3.99%	2.93%	3.90%	3.72%	3.38%
Management (M)	2	ROE- 15.6%	10.69%	11.00%	10.22%	11.95%
Earnings (E)	2	ROA-1.64%	1.19%	1.31%	1.14%	1.13%
Liquidity (L)	3	LCR-218.19%	358.97%	226.61%	227.96%	170.38%
Sensitivity to Market Risk (S) Impact of 1% interest hike	2	3,612.05 million bdt	622.4 million bdt	5619.3 million bdt	2031 million bdt	2029 million bdt

Figure- CAMELS Rating of BRAC Bank PLC

1. Capital Adequacy (C) – Score: 2 - The CRAR ratios for the years 2019 to 2023 exceeds the regulatory minimum requirement of 10% (Basel III in Bangladesh). A slight downward trend is observed from 15.07% to 14% in capital adequacy. But the bank still has a strong capital buffer to absorb unexpected shocks.
2. Asset Quality (A) – Score: 3 - The ratios of the percentage of Non-performing loans (NPL) shows a decline from 3.99% in 2021 to 3.38 in 2023. While the figures are within acceptable range, they show a slight deterioration over time. A rating of 2 indicates an acceptable position with room for improvement.
3. Management (M) – Score: 2 - The ROE has improved. It went from 15.6% (2019) to 11.00% (2021) and then again climbed back upto 11.95% in 2023. The performance has

been stable now relatively and indicated better profitability. Hence strong earnings will contribute to internal capital generation and financial stability.

4. Earnings (E) – Score: 2 - The earnings performances have been judged by looking at the ROA and ROE of the bank. The ROA has been slightly declining from 1.64% (2019) to 1.13% (2023). It shows a downward trend but it is quite healthy.
5. Liquidity (L) - Score: 3 - The liquidity ratio shows a significant dip over the 20219-2021 time period. The Liquid Coverage Ratio (LCR) went from 218.19% 2019 to the highest of 227.96 at 2022 and to 170.38% in 2023. Although the number is still above the regulatory threshold (100%). The drop in ratio indicates a reduced buffer to meet liquidity demands.
6. Sensitivity to market risk (S) – Score: 2 - The impact of a 1% rise in interest rates on the Market Value of Equity (MVE) shows improvement from 2019: BDT 3612.05 to 2023: BDT 2,029 million. This demonstrated effective measures have been taken by the bank to reduce its sensitivity to interest rate volatility over time. Despite the significant improvement the impact of a 1% rate hike remains well over bdt 2 billion in both 2019-23. So the bank though has improved but hasn't yet achieved a strong position.

Takeaway- The bank has shown strong financial display. It has displayed strong financial growth, improved profitability and diversified income sources. However, concerns remain over rising debt and low investor confidence. Liquidity and capital adequacy remain stable but show a downward trend. So to ensure sustainable growth the bank should enhance cost efficiency and leverage carefully to reinforce investor trust.

2.5.3 Accounting Practices

The straight-line approach is used to distinguish the interest income. Interest on classified advances is recognized on a *realization basis* in accordance with Bangladesh Bank's standards. When the recovery is past due by more than three months, fees and interest are not included in income. Following that, fees and interest are recorded using the realization basis. *The accrual method is* used to record payment from loans/borrowings. Accrual basis is used to record investment income. It encompasses interest on Treasury bills, equities, debentures, zero coupon bonds, and other financial instruments. The ability of BB PLC to operate as a continuous entity is undeniable. Since there are no predictable challenges that would impede future operations the bank has prepared their income statements under the premise the *going concern principal*. The Board examines the income statement, current financial condition, company portfolio, operational strengths methods in addition to evaluating with the *going concern principal*. As a result, it is safe to say that the company will continue to operate, and there is a lot of evidence to support this claim. After analyzing the designated key indicators, BRAC Bank's management has determined that the financial statements for the year ending of 2023 will be prepared based on this principal. Investments in subsidiaries were treated as a *single economic unit* within the consolidated financial statements under *IAS 27 Separate Financial Statements* and *IFRS 10 Consolidated Financial Statements*. The consolidated financial statements display the profit and loss statements of BB PLC along with its subsidiaries. *Full Disclosure Principle* **is** followed for the off-balance sheet items.

Accounting cycle

The accounting cycle of BB PLC is divided into eight steps:

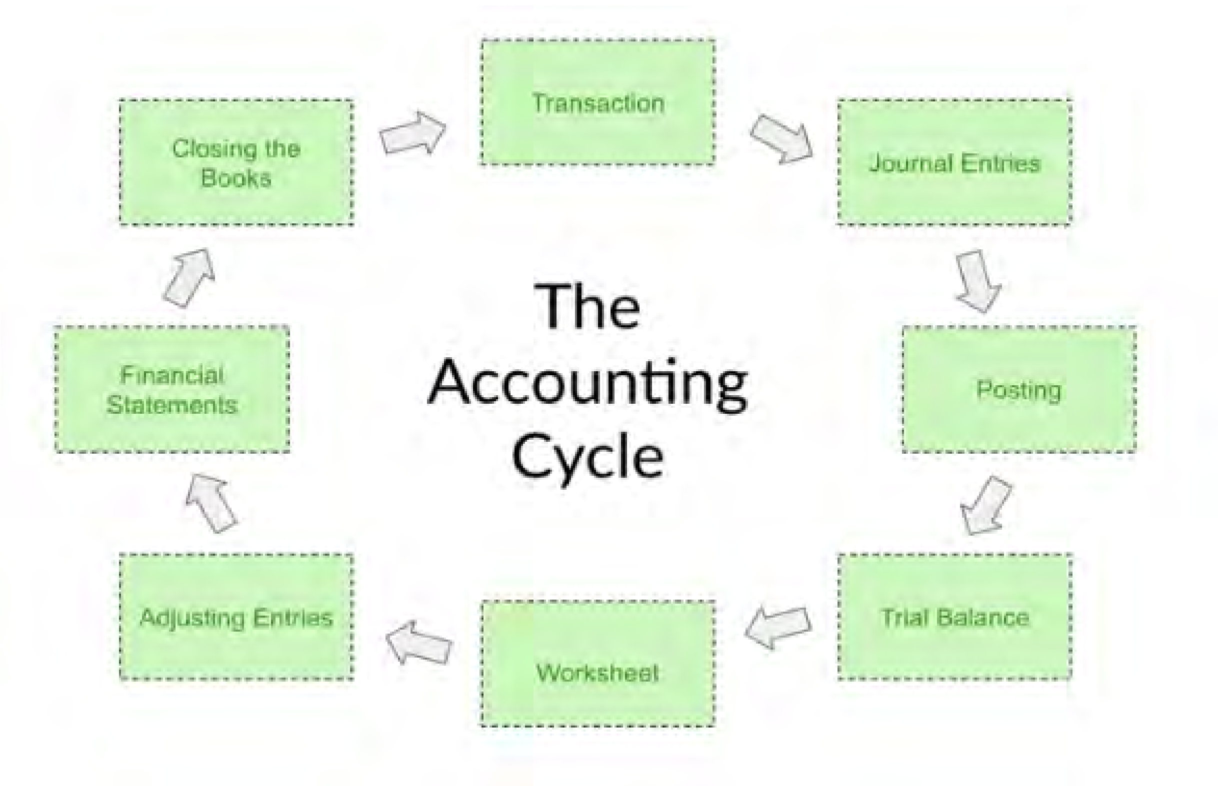

Figure- accounting cycle of BB PLC

Depreciation - Land does not lose value over time. We use a straightforward method to calculate how much value fixed assets lose. When you buy something valuable, the loss in value starts from the month you purchase it. However, once you sell it, you don't count any more loss in value from the month you sell it.

The depreciation rates vary by asset category as follows:

Category of assets	BRAC Bank	BRAC EPL Investments	BRAC EPL Stock Brokerage	bKash Limited	BRAC Saajan Exchange Ltd.
Furniture and fixture	10%	10%-20%	12.5%	20%	10%
Building	2.5%	5%	2%	-	-
Office equipment	20%	10%-20%	20%	20%	10%
IT equipment - Hardware	20%	25%	-	20%	-
IT equipment - PC, Laptop, UPS, Printer and Scanner	33.33%	33.33%	25%	33.33%	33.33%
IT equipment - Software	10%-20%	33.33%	33.33%	20%	20%
Motor vehicles	20%	20%	20%	20%	-
Office decoration/renovation works	10%	15%	15%	20%	10%

Figure - Asset Class Rate

Takeaway- The bank follows a structured accounting approach (straight-line method, the accrual basis, the going concern principle). However, challenges include in the reliance on realization-based income for classified advances. By enhancing risk management and doing structured financial forecasting it can be improved.

2.6 Operations Management and Information System Practices

BB PLC is focused on delivering the best service and safety in banking for all users. They understand that being secure online is an important part of their work. To encourage responsible banking, the bank has focused on cyber security especially. Among banks they were very ahead to set up a special system to find and fix weaknesses in their security. Also, BB PLC has a skilled Technology & Services wing with trained staff to help ensure their IT systems are good and follow the rules set by the Bangladesh Bank.

The operations team prepares and supervises these tasks to ensure that production runs smoothly and that customers receive good service. BRAC Bank's information systems, which comprise various software, databases (AI and ML for forecasting.), and communication tools, perform properly. The IT staff assists with enterprise resource planning (AI, machine learning, IoT, blockchain, cloud ERP), software updates, and problem resolution. By maintaining essential program (Azure, Finnacle, Microsoft 365) and financial data, departments provide the finance and management teams with the information they require. This information assists the headquarters team in creating reports and tracking success.

Takeaway – The bank has a well-rounded IT and services team. The operations team oversees smooth production and customer services. The IT team supports data management and reporting. Staying resilient in the time of technology changes should be the main concern of the teams as IT systems keep evolving over time.

2.7 Industry and Competitive Analysis

2.7.1 BRAC Bank PLC SWOT Analysis

BRAC Bank PLC has a legacy of supporting Bangladesh and its citizens, which has contributed to building public trust and establishing it as the preferred Bank in the country. The Bank has identified several key internal and external factors that collectively define its strengths, weaknesses, opportunities, and threats. The Bank strives to leverage its strengths, address its weaknesses, capitalize on opportunities, and mitigate threats. Furthermore, the Bank employs the SWOT framework as a management tool to continually evaluate its position within the industry and counter the competitive pressures it faces.

Strengths:

- A robust asset bases
- Highly specialized teams
- Innovative core Banking technology
- Extensive national network
- Comprehensive digital Banking ecosystem
- A favorable cost-to-income ratio
- Focus on specialized SME services
- Diverse business sectors
- Lower than average non-performing loans (NPLs)
- Satisfactory regulatory compliance
- Experienced leadership team
- Strong credit ratings

Weaknesses:

- Rising deposit fees
- Technological inflation
- Online fraud
- High employee turnover
- Regulatory noncompliance
- Products lacking differentiation

Opportunities:

- A vast unearned market
- Digital financial inclusion's breadth
- An increase in financial knowledge and a robust economic recovery
- Emergence of sustainable and green financing
- Opportunities for climate action programs
- Great chances for cross-selling
- Marketing on digital and social platforms

Threats:

- Increasing pressures from competition
- FinTech's disruptive emergence
- Interest rate cap
- Unexpected revisions to regulations
- Lack of essential personnel Aggressive competition

2.7.2 Porter's Five Forces

An essential step in the decision-making process for businesses is industry analysis. It supports well-informed decision-making by investors. It also helps business owners hone their plans for success. Five components referred to as Porter's five forces were established by Michael Porter as commonly used to evaluate an industry's framework.:

- Power of Suppliers (Moderate): This component illustrates the power traders have over producers in a given sector. Businesses may think about using vertical integration techniques to lessen suppliers' bargaining strength. Suppliers in the context of BB PLC include both private citizens and businesses that provide funds to the Bank via deposit systems. In order to maintain operations, BB PLC will have to raise the interest rates it charges consumers if borrowing costs grow. This could lead to a large number of unhappy customers and, as a result, lower profitability. BB PLC is conscious of this regrettable situation.

- Buyers bargaining power (High): Customers can influence suppliers or service providers by using their purchasing power. Understanding which businesses are in charge of the distribution channel offers crucial information about the competitive landscape. Because of various commercial banks are also providing comparable services customers have strong conveying power in the field. For better service, customers can select from a range of banks, including both established local banks and international ones. Some people might choose national banks, which also provide large loan facilities. So very attractive interest rates are to be serviced. The organization is mostly impacted by the buyers' negotiating power in the context of BB PLC. Employees at BB PLC adhere to certain operating requirements when interacting with clients. However, if a company's current requirements for client interaction are too strict, it may lose customers and income. BB PLC has taken a customer-centric stance and made individualized care its guiding philosophy in order to lessen this possible problem.
- Competitive rivalry (High): The intensity of competition affects both the growth of the industry and the competitiveness amongst competitors. In Bangladesh, there is fierce competition in the banking industry. More than fifty business banks are competing for customers in Bangladesh. The rivalry is also actively intensified in by other international banks. Businesses find it difficult to sustain long-term viability in this competitive environment.
- Threat of substitution (Moderate to High): This metric shows the possible consequences of other alternative services. New items that meet comparable customer wants are major sources of competition; this type of rivalry can be found by include substitute options in the product market structure analysis. Additionally, BB PLC has fierce competition from the many consumer loan products offered by nearby banks, which have cheaper fees and

interest rates. The very high service fees charged by BB PLC in comparison to national banks discourage many clients from considering BB PLC.

- Threat of New Entrants (Moderate): The possibility of new businesses entering the market is highlighted by the next force. Existing businesses may use aggressive expansion and entry barriers to deter new competitors. The banking industry in Bangladesh is being threatened by new competitors. There are two primary causes of this hazard, though. The establishment of branches by foreign banks, especially in the growing energy sector, is the first risk. Second, there is a serious danger to the sector from the continued rise of regional banks with cheaper costs. A significant obstacle for BB PLC is the entry of numerous new and prospective banks into the Bangladeshi banking market. BB PLC, however, is conscious of these new rivals and is actively working to become countrywide in order to reduce the market's appeal and put obstacles in the way of entry.

Takeaway – The banks strength includes a robust asset base, innovative technology and strong market presence. On the other hand, it faces challenges like rising fess, turnover and competition. So, the bank to stay ahead should focus more on differentiation strategies and policies. Staying unique will give them edge of every aspect.

2.8 Summary

One of Bangladesh's leading banks, BRAC Bank PLC's main goal is to aid the growth of SME, small and medium-sized enterprises by integrating them into the official banking system. The bank has established a solid reputation for innovation and inclusivity since its founding. Giving individuals financial power and boosting the economy are its main goals. With numerous branches, ATMs, and online services available nationwide it offers varieties type offerings for both SME enterprises along with personal banking. Through its 3P approach which are – 'People, Planet, and Prosperity'- the bank also prioritizes sustainability.

Several advantages help BB PLC to prosper. It has a solid system with several branches and online banking choices. Thus making it convenient for many consumers to use its services. BRAC Bank PLC is well-known for its concentration on small and medium-sized enterprises by delivering solutions tailoring to their needs. Furthermore, the bank adheres by complying to laws and regulations that fosters confidence among its customers. Its financial statistics indicate a consistent increase in assets, income, and profits. Thus indicating that company is properly managed.

BRAC Bank PLC has various issues however. High deposit fees and rising prices make it difficult to compete. Many staff quit then compromising the bank's stability. There are additional hazards of online fraud as digital services expand. Finally, the bank's offerings are not significantly distinct from others. Thus making it difficult to differentiate in the market.

Despite these limitations the bank has several opportunities to develop. The rise of digital banking has the potential to reach hitherto untapped clients. Eco-friendly funding ventures can generate new ideas and provide long-term advantages. Focused advertising on digital media can help the bank better engage with its clients. Its excellent reputation and vast network positions it well to capitalize on these prospects.

However, the outer world presents significant threats. The Bangladesh's banking business is very competitive that compromises with over fifty banks vying for consumers. Moreover Fintech businesses are transforming the banking industry with fresh ideas. Also the changing restrictions make things uncertain. Furthermore, hefty service fees relative to national -governmental banks drive away cost-conscious consumers. Hence making it difficult to retain them.

2.9 Conclusion and Recommendations

BRAC Bank PLC has demonstrated tremendous strength and adaptability in a difficult and competitive environment. By focusing on small and medium-sized enterprises (SMEs) as well as being devoted to sustainability. The bank has done well financially and earned a strong reputation. However, in order to remain competitive and develop in a sustainable manner, the bank must focus on a key number of areas.

To solve its challenges, the bank should focus on keeping staff satisfied and encourage them to stay. Offering higher salary, opportunities for advancement, and initiatives that promote a healthy work-life balance can help retain people. It is also critical to boost internet security as the bank expands its use of digital services. Investing in good fraud protection systems and educating clients can assist to lower the likelihood of online fraud.

It is also critical that we focus on making our goods unique to meet the unique portfolio of clients in this dynamic marketplace. By developing innovative and distinct goods for certain groups, such as luxury services for rich clients or low-interest loans for rural residents they can help attract more customers. This will help to become more visible in a crowded banking sector.

The bank should use also fresh opportunities to strengthen its market position. Using digital channels for marketing and services might assist attract young, technologically savvy clients also. Then by working with fintech startups to develop innovative solutions, such as AI-based credit scoring can provide the bank competitive edge. Furthermore, reaching out to underserved communities with unique financial inclusion initiatives would help the bank's image as a socially responsible institution.

Again to deal with external problems they must devise strategies to remain competitive with local and international banks. By adjusting its price, particularly service costs, to match what competitors charge will help retain cost-conscious clients. The bank should also collaborate with authorities to plan for policy changes. Also by creating a dedicated compliance team will assist the bank in meeting new regulations. Finally, by developing new premium services is very critical to competing with global banks in Bangladesh. Offering unique services to rich clients and providing an excellent customer experience will help retain this valued demographic.

To summarize, BRAC Bank PLC is based on sound concepts like- inclusivity, and long-term thinking. The bank may continue to thrive while also aiding people socially and financially. By addressing its problems, seizing opportunities, and coping with obstacles. BRAC Bank is in a solid position to continue progressing further in Bangladesh's banking business by focusing on operations, personnel development, and customer satisfaction.

Chapter 3 Project Part: Transferable Letters of Credit in Foreign Trade from BRAC Bank's Export Department

3.1 Introduction:

In international trade, there is an inherent level of risk, which becomes more pronounced when engaging with unfamiliar companies. Even with reliable partners, unexpected incidents can lead to severe interruptions and considerable financial consequences. Fortunately, risks can be minimized through a particular method. A Transferable Letters of Credit, often called an "TLCS," is a paper issued by a Bank that guarantees the seller will receive the buyer's payment promptly and for the correct amount. If the buyer defaults on the payment during the purchase, the Bank must cover either the full or outstanding amount owed. It acts as a fundamental mechanism for transactions. Moreover, it is a cost-effective payment method that efficiently facilitates many transactions, particularly in international trade. By utilizing TLCs both buyers and sellers can reduce their risks by ensuring prompt payments while providing greater security for the delivery of goods or services. (Investopedia, 2021). TLC is utilized to support marketplace transactions by offering the financial backing of a third party, typically a Bank, which acts as an independent guarantor of payment in commercial contracts. The assurance and dependability of payment through TLCS enable parties to reduce their reluctance to engage in a transaction, as they have a trustworthy credit source to depend on, allowing them to evaluate potential risks more effectively in the process. (Investopedia, 2021).

There are many advantages linked to the use of Letters of Credit (TLCS), including:

- Companies can easily conduct business with unfamiliar entities worldwide.
- The terms and conditions can be modified at any point to accommodate the needs of both parties, leading to a mutually acceptable set of provisions.
- The seller is compensated once they fulfill the specified conditions.
- For the purchaser, it serves as a credit assurance, while the seller is protected from credit risk.
- The process can be carried out quickly.
- Payment is secured for transactions that are contested.

Having knowledge of different types of letters of credits aids in identifying the appropriate ones to use in various situations and enhances comprehension of the transactions. While TLCS is extremely beneficial, there are several disadvantages associated with it due to its inaccessibility to everyone and the necessity of numerous professional procedures that can render the entire process quite challenging and lengthy.

3.1.1 Background/Literature Review

Transferable Letters of Credit (TLCSs) play a crucial role in global commerce, offering flexibility and payment security to intermediaries like buying houses. In the Ready-Made Garment (RMG) industry of Bangladesh, TLCSs aid in the transactions between overseas buyers and domestic suppliers. Nevertheless, obstacles remain regarding their operational effectiveness and adherence to regulations. TLCSs allow intermediaries to handle transactions without relying on direct credit lines, permitting the primary beneficiary to allocate credit to secondary beneficiaries, which ensures smooth operations in the supply chain. This system is especially important in the RMG sector, where prompt payments and order completion are essential. Operational challenges in TLCSs encompass issues such as documentation mistakes, payment delays, and compliance hazards. Errors in documentation can cause delays in payment and significant financial setbacks. Furthermore, adherence to international trade regulations, like the Uniform Customs and Practice for Documentary Credits (UCP 600), demands a careful focus on detail. Failing to comply can lead to financial penalties and harm to one's reputation. In Bangladesh, the ready-made garment (RMG) industry encounters particular difficulties in TLCS operations. The lack of a specific legal framework for documentary credits results in frequent involvement of the courts, which undermines the dependability of TLCSs. Additionally, the sector's heavy reliance on RMG exports renders it susceptible to political and economic changes, which influences TLCS operations (The Financial Express, 2018). The ready-made garment (RMG) industry plays a crucial role in the economy of Bangladesh, making up over 85% of the country's merchandise exports. Third-party Logistics Companies are essential for promoting these exports by providing payment security and enhancing operational efficiency. Nevertheless, issues like the dollar crisis and challenges in establishing back-to-back letters of credit 0000with local Banks can impede the effectiveness of TLCSs (S&P Global, 2023; Textile Today, 2023). Technological advancements are revolutionizing trade finance by providing solutions to the conventional challenges in TLCS operations. The digitization of letters of credit, facilitated by blockchain technology platforms, increases accessibility, security, and efficiency in global trade. These innovations lower the likelihood of duplicate financing and enhance real-time data availability, optimizing TLCS procedures (Global Finance, 2023; Terms Tech, 2023). Furthermore, the adoption of electronic Uniform Customs and Practice for Documentary Credits (UCP) facilitates the presentation of electronic records, expediting the payment cycle and improving working capital positions. This digital shift addresses traditional inefficiencies in TLCS operations, promoting smoother international trade transactions (Trade Finance Global, 2023). While existing research discusses the importance and challenges of TLCSs, there is a paucity of studies focusing on specific operational practices within Bangladeshi Banks, such as BRAC Bank. Additionally, targeted recommendations addressing the unique challenges faced by buying houses in the RMG sector are limited. This research aims to fill this gap by providing an in-depth analysis of TLCS operations at BRAC Bank and offering actionable insights to enhance efficiency.

3.1.2 Objective(s)

The overall objective is to assess the processes of Transferable Letters of Credit (TLCs) within the Export Department of BRAC Bank based on practical experience.

Specific Objectives- I will achieve my goal by fulfilling the following objectives.:

1. To analyze the current workflow and processes involved in the processing of Transferable Letters of Credit (TLCs) at BRAC Bank’s Export Department.
2. To analyze the foreign trade income of BRAC Bank
3. To analyze the growth of foreign income of BRAC Bank in the department of LC
4. To suggest practical recommendations for optimizing TLC operations, boosting customer satisfaction, and enhancing overall efficiency.
5. To compare foreign income growth with City Bank and Prime Bank

3.1.3 Significance

This research is of great importance for BRAC Bank, buying houses, and the wider Ready-Made Garment (RMG) industry in Bangladesh. Transferable Letters of Credit (TLCs) play a critical role in international trade, facilitating seamless transactions between global buyers and local suppliers. Nevertheless, inefficiencies in the TLC process, such as delays in documentation and commission payments, pose challenges for all parties involved.

For BRAC Bank, this research will aid in pinpointing and resolving operational difficulties, allowing the Bank to enhance its TLC procedures, boost customer satisfaction, and reinforce its standing as a trustworthy partner in trade finance. By improving these processes, the Bank can establish itself as a frontrunner in Bangladesh's trade finance sector.

For buying houses, refining TLC processes will alleviate operational hurdles, guarantee timely payments, and enhance access to vital financial resources, enabling them to function more effectively. This will consequently benefit the RMG sector, which is a fundamental component of Bangladesh's economy, significantly contributing to exports and job creation. Moreover, the research highlights the necessity of embracing innovative technologies, such as digital documentation and automation, to optimize trade finance operations. These findings can act as a blueprint for other Banks, fostering efficiency across the financial landscape and encouraging sustainable growth in international trade.

3.2 Methodology

The research methodology employed for this study is qualitative in nature. Surveys were not utilized for data gathering in this research and the information was collected from both primary and secondary sources. All the data presented comes from trustworthy and legitimate sources. The report centers on a specified mentioned topic which represents just a segment of the trade service division.

Data from primary sources: I have conducted interviews with the employees in the division and will be using their insights to finalize my report.

Data from secondary sources: I have gathered information from the websites of Bangladesh Bank and BRAC Bank, along with annual reports and various journals and blogs.

3.3 Findings and Analysis

3.3.1 Transferable letter of credit

A transferable letter of credit is a financial instrument that permits the initial beneficiary to assign all or part of the credit to another entity, resulting in a secondary beneficiary

(Investopedia, n.d.). The individual who first receives the transferable letter of credit from the Bank is known as the primary or first beneficiary, while the entity that applies for the letter of credit is called the applicant. Transferable letters of credit are frequently utilized in commercial transactions to guarantee payment to a supplier or manufacturer, serving as an alternative to making an upfront payment (Investopedia, n.d.).

3.3.2 Transferable Letters of Credit Function

A letter of credit is a Bank-issued document that assures a seller will receive payment from a buyer for goods or services in a specific transaction. If the buyer defaults, the Bank may then be held accountable for the payment (Export-Import Bank of the United States, n.d.). For instance, sellers of manufactured products frequently request a letter of credit to ensure they will be paid the amount due—on schedule and in full—before they fulfill a customer's order. The buyer must approach a Bank to secure the letter of credit and incurs a fee to cover the risk assumed by the Bank. Letters of credit are commonly used in dealings between importers and exporters. As stated by the U.S. Department of Commerce, "Letters of credit (LCs) are among the most secure tools available to international traders.... An LC is beneficial when it is hard to obtain reliable credit information about a foreign buyer, but the exporter trusts the creditworthiness of the buyer's foreign Bank. An LC also safeguards the buyer since there is no payment requirement until the goods are shipped as agreed (U.S. Department of Commerce International Trade Administration, n.d.)." A transferable letter of credit has an additional clause that allows some or all of the credit that the Bank backs to be transferred to another party, referred to as the secondary beneficiary. This secondary beneficiary might be a supplier that the seller (the primary beneficiary) depends on to provide the goods they are selling. In this arrangement, the primary beneficiary acts as a middleman between the supplier and the buyer. There can be multiple secondary beneficiaries involved (U.S. Department of Commerce International Trade Administration, n.d.).

3.3.3 Buying House

Buying Houses (BH) is one of the most prominent sectors within Bangladesh's Ready-Made Garment (RMG) industry. It is widely acknowledged that Bangladesh attained the position of the second-largest RMG exporter globally because the sector provides high-quality products at more competitive prices compared to other rival nations. Bangladesh has carved out a significant niche in the global apparel market, where Buying houses are crucial to this substantial achievement. In the apparel sector, Buying houses act as intermediaries between suppliers (garment manufacturers, export houses) and retailers (apparel buyers). They are often referred to as sourcing agencies.

In Bangladesh's garment manufacturing sector, the role of Buying houses is vital. The RMG industry in Bangladesh entirely relies on international consumers, who in turn depend on garment Buying houses. A Buying House (BH) consistently plays a critical role in the RMG sector. It encompasses all marketing efforts that include not only seeking out foreign garment buyers and collecting orders but also placing orders with appropriate garment manufacturing factories and offering various forms of technical and communication support to both buyers and manufacturers. The country’s RMG sector is fully reliant on foreign buyers, who often lack understanding of the local environment, cultural nuances, and operational dynamics. Buying houses provide essential support and supply garments tailored to their needs. To diminish reliance on Buying houses, some major buyers have established their own offices in Bangladesh, which can be expensive. However, this is not a feasible option for all foreign buyers which in terms is leading to a continual rise in new purchasing houses. Below are some key points that illustrate the importance of purchasing houses.

- Cost Efficiency - Retailers strive to lower production costs while offering competitive, high-quality products. Bangladesh, being an export-driven manufacturing nation, boasts numerous buyers and retailers that create their brands. Yet, many do not have a liaison or local office, making it cost-prohibitive and time-consuming to set up a functional office. Buyers can receive all necessary services from a purchasing house at a fraction of the expense.
- Personalized Attention - Proper management of a new product can prevent significant financial losses and protect reputation. Merchandisers focus on product quality and manage delicate issues, ensuring satisfaction for both buyers and suppliers; a task that is often challenging for buyers located far away.
- Intended Support - The lead time for suppliers to fulfill single orders has significantly decreased to 60 days in recent years, indicating possible complications. Extra support

becomes essential in the intricate supply chain process, especially during production, to facilitate timely decisions and save foreign buyers' time.

- Robust Communication - Purchasing houses ensure effective communication and essential expertise through accurate information sharing with both buyers and suppliers. They aid both established and smaller buyers, providing opportunities for emerging brands without designated suppliers by connecting them with garment suppliers.
- Product Quality Assurance - In the garment industry, ensuring product quality is critical due to the complex supply chains involved. Purchasing houses recruit skilled quality professionals to secure product quality, preventing flaws in goods reaching consumers. Quality-focused buyers maintain rigorous inspection protocols, making it challenging to produce products of the right quality without a dedicated buying team.
- Swift Development Assistance - Retailers often require quick responses from suppliers for new product developments, and purchasing houses such as Li & Fung and T&M are employing virtual sampling techniques to enhance efficiency and speed in design, production, and approval stages. This sustainable method creates a digital showroom for clients to assess virtual clothing samples, thereby improving the overall retail operation.

3.3.3 Transfer LC and the RMG industry

In trading operations, a transferable letter of credit (TLC) functions as a monetarist tool. It lets the first person who gets paid pass some or all of the payment to another person. The bank of the buyer issues the TLC, and the first person to receive it is called the first payee. This tool is important for making sure suppliers or manufacturers get paid on time in international trade. A TLC allows the right to receive payment to transfer from the first payee to someone else, like a customer, seller, or dealer. Although Buying House utilizes Transferable LCs for business operations in Bangladesh, the conventional process of transferring LCs still presents various challenges that complicate the management of Buying House. Below is a list of some of these difficulties:

- Delay in buying commission - Marketing demands financial investment. Buying House (BH) consistently invests in marketing to attract buyers. When an order reaches a mature stage, BH assigns it to any available factory. Factories receive the order as if it were 'ready to eat.' Most factory owners indicate a willingness to accommodate the order in any possible way. In this context, they make various commitments, which is an inappropriate approach. They promise to pay the commission percentage at a certain time; however, upon receiving payment, many factory owners postpone giving the commission, citing numerous reasons such as financial difficulties, and assure they will adjust the commission with the next order. Their primary goal is to secure the next order from the buying house. If factories honored their commitments regarding the commission, it would be sufficient to foster long-term business relationships.

- Challenges in obtaining additional margin - It is standard to receive a 5% buying commission for an order, but occasionally, the BH may secure a higher margin. The reality is that any additional margin often comes from B2B Letter of Credit (LC) or through cash payments after shipment. Factory owners frequently wonder why the BH should retain a greater margin, questioning their own costs when they believe they aren't contributing much. However, the truth is that the BH incurs considerable expenses for marketing, opening new markets, and at times, pays bribes to secure orders, which is now widely known. Factories have several avenues to generate revenue, such as managing wastage, accessories, extra fabrics, and leftover stock, whereas a BH primarily earns through commissions or service fees.
- Preference for factories without a robust marketing team - BH typically chooses to place orders with factories that lack a strong marketing department. Many factories in Bangladesh boast impressive marketing teams. After fulfilling an order, these factories often attempt to contact the buyer directly, which frustrates the BH. BH perceives this as an unethical practice; however, this viewpoint is flawed since the buyer has not made any agreement with the BH to channel all orders through them.

3.3.4 How the RMG industry benefits from the use Transferable Letter of Credit as per the article 38 of the UCP 600 rule?

A garment buying agent plays a crucial role in the fashion sector, with the factory being a key player. Hence, both entities should have a strong partnership and collaboration. Factory owners need to abandon poor practices and implement only the highest standards, enabling the buying house (BH) to have confidence in every single supplier, while the BH must also accept responsibility for any possible production losses. This would lead to a mutually beneficial relationship between the factory and the buying house. By providing specialized services that adhere to international regulations surrounding transferable letters of credit (LCs), BRAC Bank has pioneered a distinct trade solution for buying houses in Bangladesh. This approach differs from traditional methods involving transferable LCs for buying houses. Transferable LCs are vital for industries such as textiles, which are important for various emerging economies. By supporting these sectors, the Bank is aligning with its growth objectives and market expansion plans. The benefits of utilizing a transferable letter of credit (TLC) include:

- Lower risk of not getting paid: A TLC helps ensure that suppliers or manufacturers will get paid because it promises payment from the buyer's bank, as long as the buyer meets the TLC's requirements.
- Increased assurance: A TLC can boost sureness between the people involved in the deal because it reduces the need for costly and time-consuming checks on backgrounds or credit.
- Compliance: A TLC allows the middleman to transfer part or all of the credit to another party, like the supplier or manufacturer.
- Opportune recompence: A TLC ensures that the supplier or manufacturer gets paid quickly because the buyer's bank promises to cover the payment.

These benefits render a TLC an effective instrument for intermediaries in international trade deals, as it mitigates the risk of non-payment, enhances trust and confidence, offers flexibility, and promises timely compensation.

3.3.5 BRAC Banks “Buying House Solutions” team

The "Buying House Solutions" team at BRAC Bank focuses on providing customized trade services to clients involved in buying houses, specifically emphasizing the facilitation of Transferable Letters of Credit (LC). This service is essential for buying houses acting as intermediaries in the garment and textile export sectors, ensuring smooth transaction processes between global buyers and local suppliers. The proficiency in managing Transfer LCs directly benefits this industry, establishing the Bank as an important ally for this sector.

3.3.6 The trade solutions provided:

We essentially function as a transferring Bank and offer comprehensive Trade Solutions to Buying Houses, spanning from the establishment of transferable LCs to providing advice on amendments and facilitating payments. Our team delivers a complete range of trade services, allowing buying houses to concentrate on their primary operations. This simplifies operational tasks, alleviates administrative pressures, and improves client satisfaction. The Buying House Solutions team at BRAC Bank plays a vital role in assisting buying houses through the transfer LC substitution facility, which enables them to operate more effectively and maintain oversight of their transactions. Here’s how this facility is advantageous for buying houses:

- Confidentiality of Pricing and Commissions - The substitution facility in the transfer LC procedure allows buying houses to substitute the original supplier’s invoice with their own prior to submission to the buyer. This ensures that buying houses can keep their commission and the actual pricing of products private, guaranteeing that both suppliers and buyers only access necessary information. It aids buying houses in managing the flow of information while safeguarding their margins and pricing strategies.
- Higher Profit Margins - By leveraging this facility, buying houses can determine their own pricing above the supplier's cost, enabling them to achieve a greater profit margin. Because this process adheres to international regulations, it provides pricing flexibility without a fixed limit, granting buying houses more autonomy in managing their profitability.
- Direct Commission Collection - In contrast to conventional transfer LC practices in Bangladesh, where buying houses depend on suppliers to distribute commissions, the substitution facility guarantees immediate commission collection as part of the payment process. Buying houses no longer face delays or the risk of non-payment, making cash flows more dependable and reducing reliance on suppliers for their earnings.
- Enhanced Financial Security - This efficient and secure process alleviates risks tied to traditional trade transactions, cutting down on potential delays and ensuring that commissions are directly managed by the buying house. This improved financial security helps buying houses develop sustainable and profitable business models.

BRAC Bank’s innovative strategy makes international trade more accessible and manageable for buying houses, fostering growth and reliability in the sector. Therefore, the BRAC Bank "Buying House Solutions" team offers a committed and trustworthy platform for buying houses, simplifying their trade operations while enhancing overall efficiency.

3.3.7 Process Flow of LC Transfer Unit

1. Receipt and Verification of Transfer Request

Step 1: Request from Initial Beneficiary:

- The initial beneficiary (typically a buying house) submits a request to the transferring Bank to assign the LC to a secondary beneficiary (the factory or supplier).

Step 2: Verification of LC Transfer Eligibility:

- The transferring Bank confirms that the LC can be transferred (clearly indicated in the LC conditions).
- The Bank ensures that the request aligns with the original LC conditions.

2. Document Collection and Review

Step 3: Gather Necessary Documents from Initial Beneficiary:

- The initial beneficiary provides the original LC along with any required documentation such as the sales contract, invoice, or shipping information.

Step 4: Evaluation of Documents:

- The transferring Bank reviews the documents for completeness, accuracy, and compliance with the LC's terms.
- If any irregularities are identified, they are communicated to the initial beneficiary for rectification.
- Review the credit history of the buyer and their Bank.
- Verify all sanctions for the TBML alert.

3. LC Transfer to Secondary Beneficiary

Step 5: Issue Transfer LC to Secondary Beneficiary:

- Once all documents are validated, the transferring Bank issues a Transfer LC to the secondary beneficiary (factory or supplier).
- The Bank ensures that the provisions are the same as those in the original LC except for permitted modifications (e.g., reducing the total amount, adjusting shipment dates).

Step 6: Inform Secondary Beneficiary:

- The secondary beneficiary is informed of the transfer, and they receive the applicable LC terms.

4. Document Substitution and Shipment

Step 7: Shipment by Secondary Beneficiary:

- The secondary beneficiary (factory) ships the goods and prepares their own documentation, including the commercial invoice, packing list, and bill of lading.

Step 8: Document Replacement by Initial Beneficiary:

- The initial beneficiary replaces their invoice or documents with those provided by the secondary beneficiary.
- The transferring Bank reviews and manages this document replacement, ensuring it aligns with the LC's terms.

5. Submission to Issuing Bank

Step 9: Forward Documents to Issuing Bank:

- Following document replacement, the transferring Bank sends the complete set of documents (e.g., invoice, bill of lading) to the issuing Bank for payment.

The issuing Bank checks the documents to ensure they meet the LC's requirements.

6. Realization of Payment

Step 10: Payment from Issuing Bank:

- After the issuing Bank verifies the documents, it releases payment to the transferring Bank.
- The transferring Bank confirms receipt of the funds and ensures they are credited.

7. Disbursement of Payment

Step 11: Payment to Secondary Beneficiary:

- The transferring Bank releases the agreed payment amount to the secondary beneficiary after deducting relevant fees or charges.
- Ensure that all payments are processed in accordance with the LC terms.

8. Commission Realization for Initial Beneficiary (Buying House)

Step 12: Commission Calculation for Buying House:

- The transferring Bank calculates and subtracts the commission owed to the initial beneficiary (buying house).

Step 13: Transfer Commission to Buying House:

- The commission is deposited into the initial beneficiary's account as per the agreed terms.

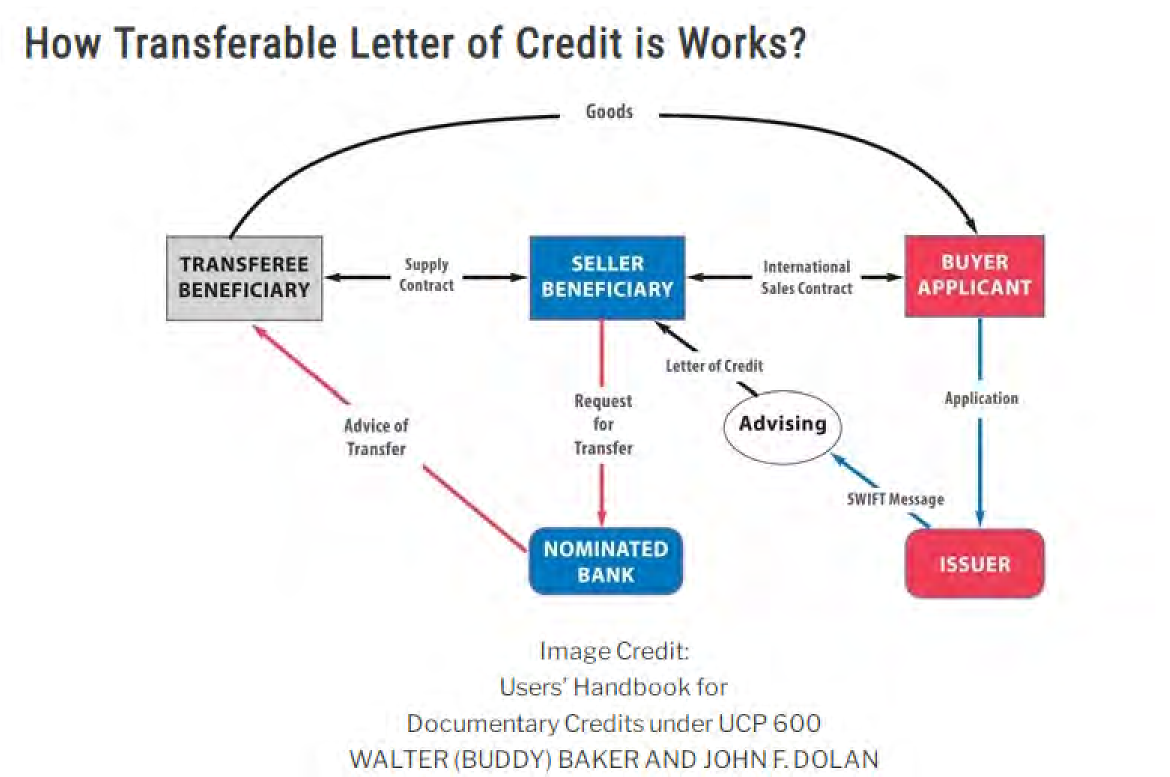

Figure - Process Flow of TLC Transfer

3.3.8 Key Considerations in the Process Flow:

1. Compliance: Confirm adherence to UCP 600, the terms of the LC, and any applicable regulatory standards.
2. Document Accuracy: It is essential to thoroughly review the documents of both the first and second beneficiaries to prevent inconsistencies.
3. Risk Management: Early identification of risks such as delays, document inaccuracies, or shipment discrepancies is crucial to prevent payment issues.

This process flow guarantees that the LC transfer unit functions effectively and efficiently while ensuring compliance and minimizing risks.

3.3.9 Benefits of Buying House Accounts in the Bank Portfolio

Buying house accounts offer significant benefits for the Bank as they operate as no-cost deposit accounts. Unlike large corporate exporters, which often require financing, buying houses require minimal to no financing from the Bank, making them cost-effective and profitable.

Key Benefits

1. No-Cost Deposit Accounts - Buying house accounts do not require financing support. Moreover, their deposit Accounts generates no interests. As a result, they serve as No-Cost deposit accounts, unlike big corporate export accounts that typically need financing facilities. This saves the Bank potential funding costs while maintaining a stable deposit base without incurring any cost of a Bank.
2. Income Generation from LC Operations - Buying houses engage in the export Letter of Credit (LC) process, acting as the first beneficiary and transferring the LC to a second beneficiary (usually the actual exporter). This process provides the Bank with the following revenue streams:LC Advising Charge: Income from advising the LC to the second beneficiary.LC Transfer Charge: A transfer fee charged during the LC transfer to the end beneficiary. Amendment Charges if any.
3. Processing Commission from Document Handling - Buying houses forward export documents to the issuing Bank through us, allowing the Bank to generate additional income from document processing. A commission rate of 0.15% per bill is charged, contributing a steady stream of revenue for every transaction.

4. Dollar Liquidity and Exchange Gains - When payments are received from the issuing Bank, the funds increase the Bank's dollar liquidity. Additionally, the conversion of these funds into local currency during payment provides an exchange gain, adding further income to the Bank's portfolio.
5. Indirect Market Growth through New Accounts - Buying houses indirectly facilitate the acquisition of new direct exporter accounts. As intermediaries in the RMG sector, they connect with various exporters, creating opportunities for the Bank to onboard these exporters directly as clients, expanding the Bank's customer base in export finance.

3.4 Foreign Trade Income Analysis

FOREIGN TRADE BUSINESS					
Year	2023	Growth	2022	Growth	2021
Import	249,902	18%	211,111	57%	134,102
Export	161,784	9%	148,284	58%	93,786
Import and Export total Income	411,686	15%	359,395	58%	227,888
Commission from issue of letters of credit (Import and Export)	1,603.068	122%	723.272	54%	470.604
% of commission out of total income	39%	93%	20%	-3%	21%
Import and export related fees (LC fees)	320.115	32%	242.235	13%	214.465
% of LC fee out of total income	8%	15%	7%	-28%	9%

Figure- Foreign Trade Income Table Analysis

Interpretation:

Growth in trade Volume: The Bank recorded significant increase in both import and export income growth from the years 2021 to 2023. Imports income have consistently surpassed exports through this time. It highlights a more import heavy behavior of the markets in Bangladesh. To be specific imports rose from bdt 134102 million in 2021 to 249902 in 2023. On the other hand, exports grew from bdt 93786 million to 161784 million during this timeframe.

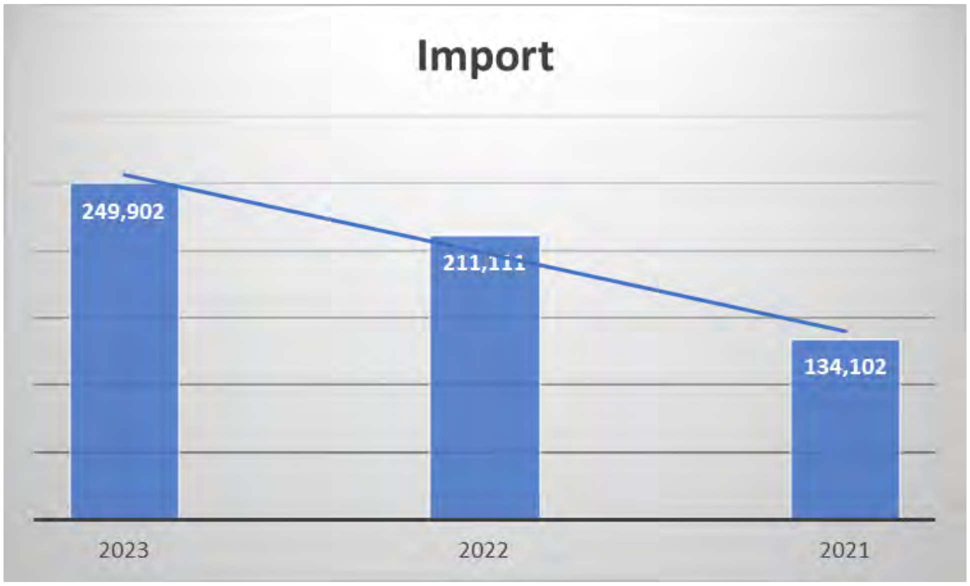

Figure – Import Income Graph growth

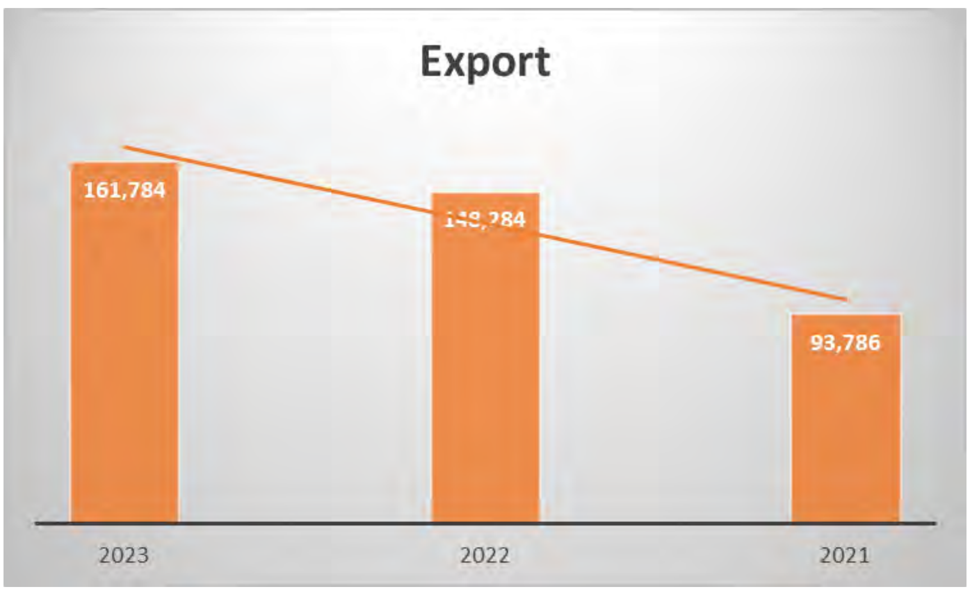

Figure – Export Income Graph growth

Revenue from LC Commissions: the commissions generated from the issuance of Lcs contribute significantly to the Banks foreign trade income department. This department of income has shown steady growth and an upward trend in the time frame of 2021 to 2023. In 2023 the income from LC commissions totaled 1603068 million. This income growth compared to 2022's 723272 million is an impressive 122% growth. This highlights BRAC Banks customized focus on income generation through LC and the creation of teams in the export department who are particularly working towards this goal.

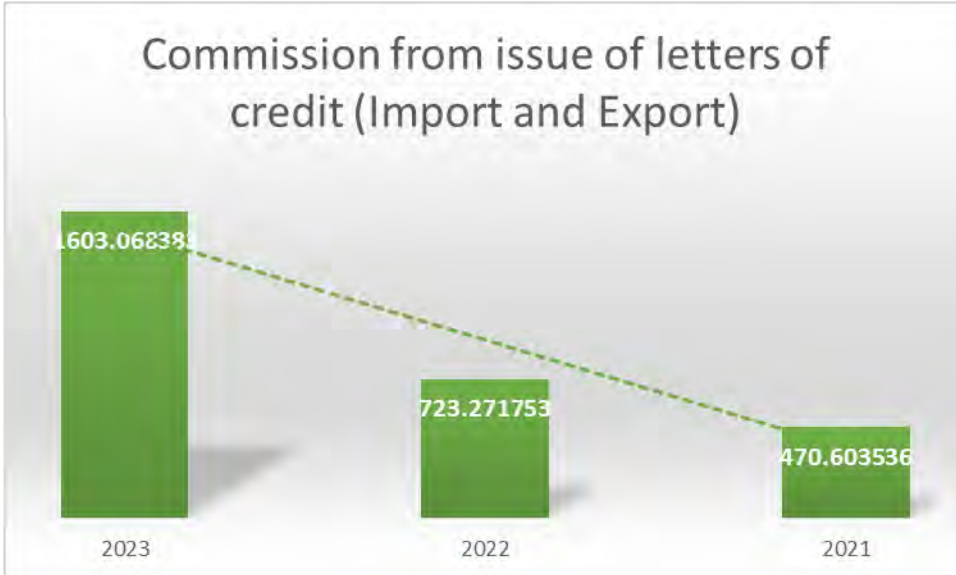

Figure – Commission Graph growth

LC Fees: The income generated through the income from LC fees is also a significant contributor in the foreign trade income department. The income trend in this department also shows a positive picture. Years 2021 and 2022 show a bit of instability. But by the year 2023 the Bank recovered by a spectacular growth of 32% which amounts to 320.115 bdt million in income.

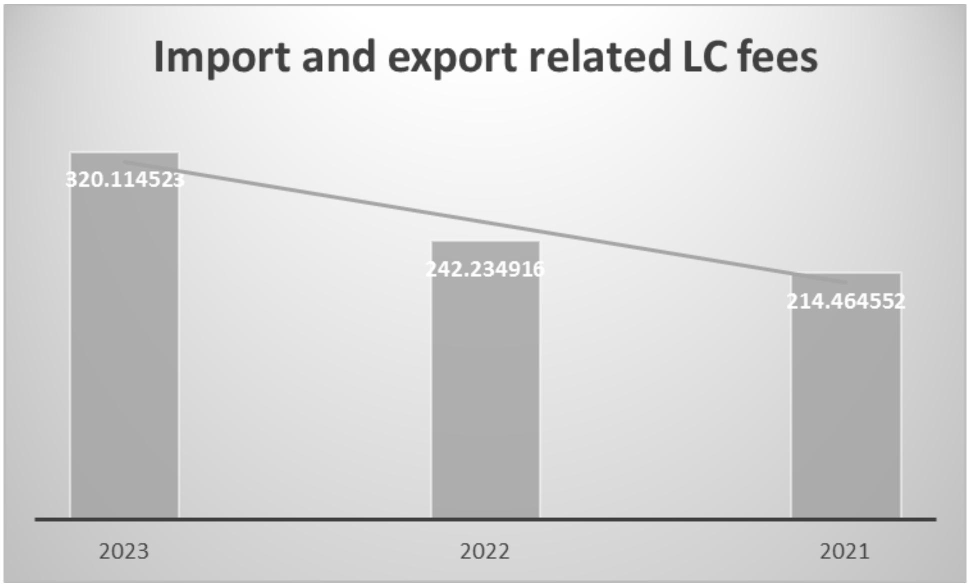

Figure – LC Fees Graph

Takeaways:

The data clearly highlights the significance of LC related business for the Bank foreign trade revenue. The increasing rise in LC commissions as an income source is driving the overall growth of this department. The growth percentages of commissions in the total income emphasizes the strategic relevance of this income source for the Bank. as highlighted the remarkable increase in LC commissions – 122% in 2023- in contrast to the growth in direct import 18% and export 9% values indicated that the Bank has been highly successful in capitalizing on LC service offerings.

Figure – LC Commission Graph growth

This also indicates a possible transformation in the Banks revenue modeling around its foreign trade business. the department will focus more on income from commissions instead of just transaction volume income. The variability in LC fees requires further analysis. Only then we can know about the instability however the recovery in 2023 reflects the Banks capability to adapt and succeed in this domain. The activities related to letters of credit (LC) have stood out to be a fundamental aspect of BRAC Banks foreign trade operations. It plays a crucial role in both their revenue generation and income diversification. The increasing profitability associated with LC commissions shows this will be an area of priority for the Bank moving forward. This data underscores the vital role of non-funded income in the Banking industry and its possibilities.

Comparison of LC income with City Bank

FOREIGN TRADE BUSINESS				
Year		2021	2022	2023
City Bank	Commission from issue of letters of credit	571.954	690.319	719.374
BRAC BANK	Commission from issue of letters of credit	470.604	723.272	1603.068

Figure – Table foreign trade income of city and brac bank

City Bank in 2021 outperformed BRAC Bank by earning a commission of 571.954 million bdt. It was 21.54% higher than BRAC Banks 470.604 million bdt in commission. However, in 2022 BRAC Bank surpassed city Bank by earning a commission of 723.272 million bdt. It was 4.77% higher then city Banks 690.319 million bdt in commission. This marked a turning point. It indicated BRAC BANKS focus on foreign trade sector. Because by 2023 the gap widened significantly as BRAC earned a massive commission of 1603.068 million bdt. It was 122.89% higher then city Banks 719.374 million bdt in commission. This dramatic growth in revenue commission highlights BRAC Banks exceptional performance in leveraging its position in the foreign trade market.

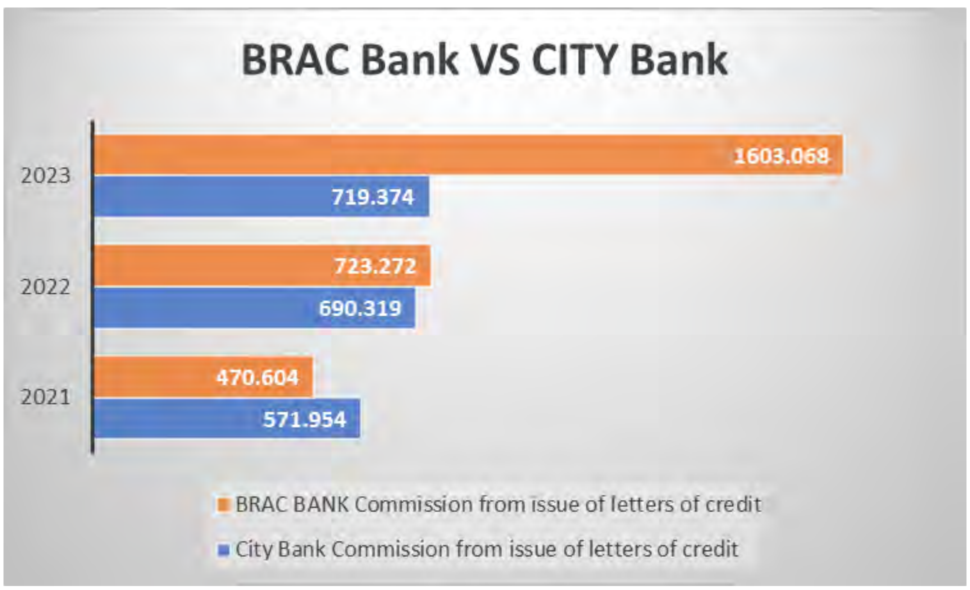

Figure – BRAC VS CITY BANK Commission growth

Comparison of LC income with Prime Bank

FOREIGN TRADE BUSINESS				
Year		2021	2022	2023
Prime Bank	Commission from issue of letters of credit	285.386	272.085	326.641
BRAC BANK	Commission from issue of letters of credit	470.604	723.272	1603.068

Figure – Table of foreign trade commission income of city and brac bank

BRAC Bank in 2021 earned a commission of 470.604 million bdt. It was 64.87% higher than Prime Banks 285.386 million bdt. This gap in earnings further widened in 2022 as BRAC Banks earning rose to 723.272 million bdt. This was 165.87% higher than Prime Banks 272.085 million bdt in commission. By 2023 the gap become striking as BRAC Banks earning rose to a whoping 1603.068 million bdt. That is a 390.75% increase to Prime Banks 326.641 million bdt in earnings. The comparison clearly shows that BRAC Banks outpaced Prime Bank consistently and dramatically. They held a significant presence in the market.

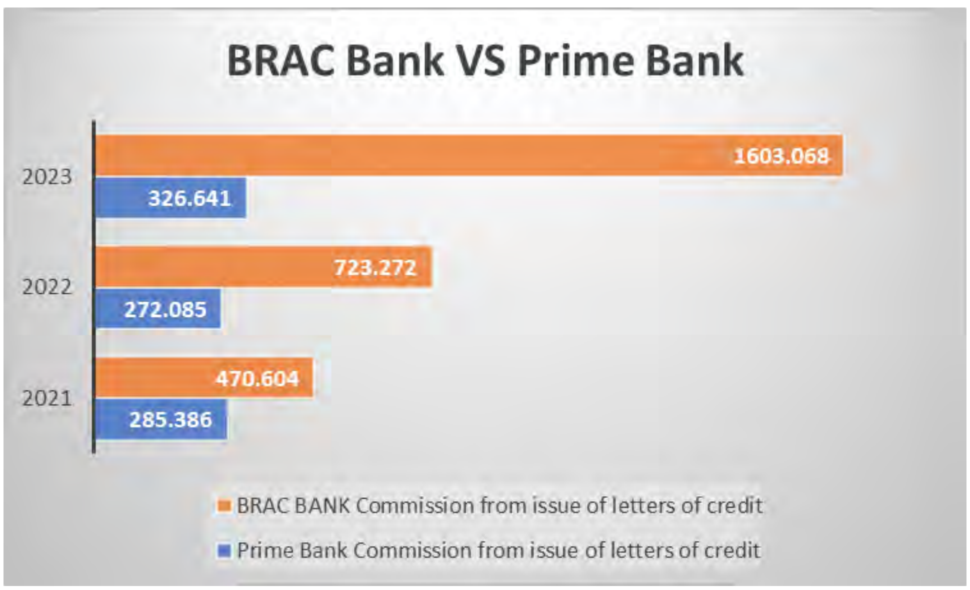

Figure – BRAC VS Prime BANK Commission growth

The data highlights BRAC Banks extraordinary growth in the foreign trade. As they not only surpassed its competitors but also widened the gap significantly over the time period of years 2021-2023. City Bank while shoed steady growth but couldn't keep pace with BRAC Banks exponential performance. On the other hand prime Bank struggled with minimal growth. They recovered by 2023 but were significantly behind BRAC and City Bank both. These trends position BRAC Bank as clear leader within this time frame. This indicated superior operational focus on the foreign trade sector.

3.5 Summary and conclusion

Summary

The analysis of transferable letters of credit (TLC) in BRAC Banks export department highlights the pivotal role of TLCs with the RMG sector. TLCs serve as an indispensable instrument that enables buying houses to act as intermediaries between global buyers and local suppliers. this ensures the seamless flow of transaction while enhancing payment security for all parties.

The study also revealed that TLC process at BRAC Bank is comprehensive but has a lot of operational challenges. These challenges include delays in documentation, compliance risk and efficiencies in commission disbursement. Additionally, the traditional methods of managing TLCs often create bottlenecks in ensuring timely transaction processing. However, the export departments efforts by creating the Buying House Solutions team has set the Bank in the right direction. The team works with innovative strategies such as substitution facilities, confidentiality in pricing and streamlined commission collection. This all have enhanced the efficiency of TLC operations. Furthermore, BRAC Banks focus in TLC related commissions and fees as a key revenue stream has been a consequential strategic move. It underscores the Banks shift towards non fund income growth.

CONCLUSION

In conclusion transferable letters of credit (TLC) are a cornerstone of BRAC Banks trade finance operations. The TLC mechanism not only strengthens relationship between buyers and suppliers but also positions BRAC Bank a reliable partner in facilitating international trade.

However, to maintain its leadership in the trade finance industry the Bank must address the challenges identified in its operations. This includes embracing secure technologies, enhanced compliance standards and providing tailored services.

By achieving this the Bank can further optimize its process and boost customer satisfaction. This will also solidify their reputation as a key player in the industry. Ultimately these improvements will ensure sustainability and growth of BRAC Banks foreign trade operations in the global market.

3.6 Recommendations

Based on the analysis of BRAC Banks transferable letters of credit (TLC) operations and the broader findings from the report there are several actionable recommendations to be made. Firstly, digitization of TLC operations is essential for streamlining processes and ensuing accuracy. The Bank can introduce innovative solution like blockchain based platform. It will make document handling and payment processing efficient and free of manual errors. Secondly by adopting digital tools for real time updates and automated verification is a must. It will help expedite workflow and improve accuracy. Employees should also be trained regularly on international trade compliance and regulations to stay ahead with the updated global practices.

To better support buying houses the Bank can develop customizable solutions tailored to their needs. Special pricing mechanism, improved confidentiality of pricing and commissions should be implemented. For BRAC Bank to maintain its competitive edge in the trade finance sector it is specially recommended to focus on non-funded income growth. It can be done by prioritizing revenue generation from LC commissions and fees rather than traditional transaction volume income. It is a way to sustainable growth also. Also, by expanding in the sector of green financing options and aligning trade services with ESG goals can position the Bank as a leader in sustainable trade solutions. Moreover, by leveraging technology for predictive analytics a risk management will also help the Bank. it can help mitigate potential challenges in LC operations and strengthen anti money laundering with counter terrorism financing compliance. Therefore, by addressing these recommendations BRAC Bank can significantly improve the efficiency of its TLC operation sand position itself as a leader in trade finance. These steps will not only enhance the Banks operational effectiveness but also ensure long term sustainability.

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