

**Thesis Report
On
Reporting on Foreign Exchange Operation in
the Banking Industry of Bangladesh: A Case
Study of Two Selected Banks**



STAMFORD UNIVERSITY BANGLADESH

Thesis Report
On
Reporting on Foreign Exchange Operation in the
Banking Industry of Bangladesh
Two Selected Commercial Banks

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Letter of Transmittal

Date: 15th July 2018

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Subject: Submission of the “Thesis Report”.

Respected Madam,

It is my pleasure to submit my project report titled **Reporting on Foreign Exchange Operation in the Banking Industry of Bangladesh: A Case Study of Two Selected Banks.**” which I was assigned by you as a part of the thesis at these banks.

As a part of the completion of the Masters degree at the department of MBA, Stamford University of Bangladesh, it is a privilege to work at IFIC and MBL bank ltd. It is worthwhile experience to develop an aptitude to build up carrier in the banking sector. This experience will help me developing professionalism and have positive attitude towards business world.

It will be my pleasure to clarify any matter regarding this report I thank you for allowing me the opportunity to undertake the task and for your sincere guidance and cooperation.

Yours truly,

Tanvir Hossin

Department of Business Administration

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MBA (Major in Accounting)

Student's Declaration



Thesis Report

I here announce that the extensive study entitled

**“REPORTING ON FOREIGN EXCHANGE OPERATION IN THE BANKING
INDUSTRY OF BANGLADESH: A CASE STUDY OF TWO SELECTED
BANKS”**

Prepared in partial accomplishment of the Requirement for the award of the degree

**Masters of Business Administration
From**

STAMFORD UNIVERSITY BANGLADESH

Is my original work and not put forward for
The award of any other degree / diploma / fellowship
Or other similar term or honor

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STAMFORD UNIVERSITY BANGLADESH

To Whom It May Concern

This is to certify that the Thesis report on “foreign exchange operations in the banking industry of BANGLADESH two selected commercial bank , IFIC and MBL bank ltd”. For the degree MASTERS of Business Administration (MBA) major in accounting from Stamford University Bangladesh carried out by Tanvir Hossin, Student ID.MBA 06217012 under my supervision. No part of the thesis report has been submitted for any degree diploma, title, or recognition before.

Farjana Yeshmin

Associate Professor

Department of Business Administration

Stamford University Bangladesh.

Acknowledgement

First and foremost, I would be grateful to the Almighty God as I have successfully completed this report within due time and for all the incidences I had to undergo while preparing this report.

Then I would like to take the opportunity to express my gratitude to my honorable faculty **Farjana Yeshmin**, Associate professor, Department of Business Administration, Stamford University Bangladesh. Without his continuous support and suggestion, this report would not come into light.

Second, during this period I have gone through all the teachers of Accounting of our University.

I am grateful to my God and my Parents, who supported me a lot in every aspect of preparing the report. This report suffers from many short comings although I have exerted my best effort while preparing this report. I seek excuse for the errors that might have occurred in spite of the best of my effort.

Besides I am also grateful to the authors, researchers, and article writers who Books is, Reports, and Journals have helped me to prepare my Thesis Report successfully.

Tanvir Hossin

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Executive Summary

The objective of the study is to have a clear knowledge about the foreign exchange operation of these bank, to identify the gaps in knowledge about Foreign Exchange in Bangladesh and to find the way to overcome the problems in Foreign Exchange transactions of IFIC and MBL Bank Ltd..

Here, The Methodology is shortly Given Explanation, Primary and secondary sources in face to face conversation, Practical work exposure on different desks, Practical experiences of the Official activities. The internal and external sources are Bank annual report, Training sheet, Relevant Books, Journal, News paper, different newsletters. Major Findings on the Study, Lack of manpower, Technology not updated, Documentation system is not modern but L/C very complex to fill up. Major Recommendations are manpower increased of Foreign Exchange division, Create new marketing strategy, Increase total Import and Export Business, Recruitment and Selection employee must be graduate in MBA experiences.

After all, IFIC and MBL banks increasing its reputation day by day through providing various short of innovative product and services. , IFIC and MBL banks customer services and management are also being enhanced. FDI department will be fully computerized soon.

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Chapter 1

Introduction

1.1 Background of the Study

Banking sector is the driving force for an economic growth of a country. Every commercial bank acts as financial intermediary whose main aim is to earn profit through borrowing and lending funds in the profitable sectors and it also issues different types of credit instruments. Therefore the banking system occupies an important place and plays significant role in a nation's economy building process. Necessarily, banking sector also ensures commendable contribution in the economic development of a country and forms the core of the money market in an advanced country. This sort of financial intermediary accepting deposits and granting loans; offers the widest menu of services for different business ventures. Commercial banks have significantly expanded their financial services to the clients and governments around the world. The current business environment is very dynamic and fast changing.

Basically, this study will help to construct a skillful tenure in banking sector. This report has been prepared in the light of practical as well as theoretical knowledge.

1.2 Objective of the Report

This report is prepared as a requirement for the complementation of the MBA program of the School of Business, Stamford University Bangladesh.

General Objective:

The board objective of the study is to prepare report on –Reporting On Foreign Exchange Operation In The Banking Industry Of Bangladesh Two Selected Commercial Banks.||

Specific Objective:

- To know the foreign trade operations of a bank.
- To evaluate the performance of foreign exchange division.
- To evaluate the return on export, import and remittance.
- To find out the contributions of foreign exchange business of a bank in its overall earnings.
- To get a brief idea about operational procedure, export & import business.

- To estimate the cost of export, import and remittance.
- Foreign exchange earnings as compared to total earnings interest income and noninterest income.
- To familiarize different rules and regulations of export and import formalities.

1.3 Scope of the Report

The scope of this paper is limited to the organizational structure, background, and objectives, functions, and investment performance of commercial banks as a whole. The scope is also limited to different investment schemes, modes, mechanism, investment proposal appraisal procedures, monitoring and documentation of commercial banks, foreign exchange operations.

1.4 Limitations of the Study

In all respect some limitation and weakness remain within which I failed to escape by any means. These are follows:

- To continue study in such a vast area requires a big deal in time. To complete this report I had only three months' time, which was not enough.
- To collect information required, I faced difficulty because of the excessive nature of confidentiality maintained by the officials of commercial banks.
- Difficulty in gaining accesses to financial sector, bank software& confidential documents.
- In most cases I simply did not have any option but to furnish data without verification.
- Getting Relevant papers and documents were strictly prohibited.
- Non-availability of the most recent statistical data.
- Shortage of written materials.

In spite of all this limitations I have put the best effort as far as possible in developing the study.

1.5 Methodology

The study requires a systematic procedure from selection of the topic to preparation of the final report. To perform the study, the data sources were to be identified and collected, to be classified, analyzed, interpreted and presented in a systematic manner and key points were to be found out. The overall process of methodology has been given as below:

1.5.1 Research Design:

This is an -Exploratory Research||, which briefly reveals the -Foreign Exchange Operations of commercial banks.|| Data have been collected from both primary and secondary sources.

Sources of Data:

This study has selected two private commercial banks as international finance investment and commerce bank limited (IFIC) and mercantile bank limited (MBL) in the banking industry of Bangladesh.

This study is mainly based on secondary data available from the various divisions of commercial banks, in addition to these other necessary information have been collected from the daily newspapers, relevant journals, annual reports of IFIC Bank, Mercantile Bank Ltd and Bank.

Secondary sources of data:

- Annual report
- Procedure manual
- Files and documents
- Different circulars
- Different papers
- Online data

1.5.2 Tools Used for Analysis

Both the Qualitative as SWOT and quantitative as Trend & Ratio analysis tools are used to analyze the data. After collecting all the data, they have been coded and data have been Preceded, analyzed and graphically represented using MS Word & MS Excel.

Chapter 2

Literature Review

2.1 What is Bank

A bank is a financial institution that accepts deposits from the public and creates credit. Lending activities can be performed either directly or indirectly through capital markets. Due to their importance in the financial system and influence on national economies, banks are highly regulated in most countries.

2.2 Origin of the word BANK

After commerce and the arts had revived in Italy, the business of banking was resumed. The word "bank" is commonly regarded as derived from the Italian word banco, a bench - the Jews in Lombardy having benches in the market-place for the exchange of money and bills. When a banker failed, his bench was broken by the populace; and from this circumstance we have our word bankrupt.

2.3 Economic functions of Bank

1. **Capital Formation:** Banks play an important role in capital formation, which is essential for the economic development of a country. They mobilize the small savings of the people scattered over a wide area through their network of branches all over the country and make it available for productive purposes. Now-a-days, banks offer very attractive schemes to attract the people to save their money with them and bring the savings mobilized to the organized money market. If the banks do not perform this function, savings either remains idle or used in creating assets, which are low in scale of plan priorities.
2. **Creation of Credit:** Banks create credit for the purpose of providing more funds for development projects. Credit creation leads to increased production, employment, sales and prices and thereby they cause faster economic development.
3. **Channelizing the Funds to Productive Investment:** Banks invest the savings mobilized by them for productive purposes. Capital formation is not the only function of commercial banks. Pooled savings should be distributed to various sectors of

the economy with a view to increase the productivity of the nation. Then only it can be said to have performed an important role in the economic development of the nation.

4. **Fuller Utilization of Resources:** Savings pooled by banks are utilized to a greater extent for development purposes of various regions in the country. It ensures fuller utilization of resources.

5. **Encouraging Right Type of Industries:** The banks help in the development of the right type of industries by extending loan to right type of persons. In this way, they help not only for industrialization of the country but also for the economic development of the country. They grant loans and advances to manufacturers whose products are in great demand. The manufacturers in turn increase their products by introducing new methods of production and assist in raising the national income of the country.

6. **Bank Rate Policy:** Economists are of the view that by changing the bank rates, changes can be made in the money supply of a country. In our country, the RBI regulates the rate of interest to be paid by banks for the deposits accepted by them and also the rate of interest to be charged by them on the loans granted by them.

7. **Bank Monetize Debt:** Commercial banks transform the loan to be repaid after a certain period into cash, which can be immediately used for business activities. Manufacturers and wholesale traders cannot increase their sales without selling goods on credit basis. But credit sales may lead to locking up of capital.

8. **Finance to Government:** Government is acting as the promoter of industries in underdeveloped countries for which finance is needed for it. Banks provide long-term credit to Government by investing their funds in Government securities and short-term finance by purchasing Treasury Bills.

9. **Bankers as Employers:** After the nationalization of big banks, banking industry has grown to a great extent. Bank's branches are opened in almost all the villages, which leads to the creation of new employment opportunities. Banks are also improving people for occupying various posts in their office.

10. **Banks are Entrepreneurs:** In recent days, banks have assumed the role of developing entrepreneurship particularly in developing countries like India. Developing of entrepreneurship is a complex process.

2.4 Working Process of Bank

	Business and resource administration	New business development	Customer management	Customer sales and servicing	Product delivery	Financial market	Insurance	Product service	Account services
Direct	Business and resource planning	Segment analysis and planning	Customer portfolio and analysis	Customer sales and servicing planning	Product operator planning	Financial market direct	Insurance direct	Product service planning	Account services planning
	Business policies and procedure	Acquisition planning	Credit policy and planning						
	External relation								
Control	Business architecture	Product oversight	Customer behavior and models	Sales/service administrator	Product operator oversight	Financial market control	Insurance control	Product service oversight	Account services oversight
	Business unit tracking	Campaign management	Relationship oversight	Case & exception handling					Fraud/AMIL detection
	Audit/assurance/legal/compliance		Applicator processing						
Execute	Business unit administration	Product development and deployment	Credit administrator	Authorization	DDA/check-specific processing	Financial market execute	Insurance execute	Inventory management	Customer accounting
	Human resource management	Market research	Relationship management	Transaction consolidation	Retail			Cash inventory	Billing and payment
	Facilities operation and maintenance	Product directory	Collateral handling	Transaction capture services	Card-specific processing			Market information	Collections and recovery
	Systems development and operations	Marketing	Customer profile	Sales	Card financial capture			Correspondence	
	Fixed assets register	Campaign execution	Contact/event history	Dialogue handle	Merchant operator			Document management and archive	
	Production assurance (Help Desk)			Smart routing				Rewards administrator	

Figure -01: Working Process of Bank

2.5 Objectives of Banking Business

- Revenue generation
- Making Financial portfolio
- Managing profit
- Building relationship and customer service
- Strategic Planning
- Training and coaching Management
- Marketing and sales
- Developing staff

2.5.1 Objectives from owner point of views

- To establish as an institution for maximizing profits and to conduct overall economic activities.
- To collect savings or idle money from the public at a lower rate of interests and lend these public money at a higher rate of interests.
- To create propensity of savings amongst the people.
- To motivate people for investing money with a view to bringing solvency in them
- To create money against money as an alternative for enhancing supply of money.
- To build up capital through savings.
- To expedite investments.
- To extend services to the customers.
- To maintain and control exchange rates as a central bank.

2.5.2 Objectives From Govt. Point Of Views

- To establish as an institution for maximizing profits and to conduct overall economic activities.
- To collect savings or idle money from the public at a lower rate of interests and lend these public money at a higher rate of interests.
- To create propensity of savings amongst the people.
- To motivate people for investing money with a view to bringing solvency in them .
- To create money against money as an alternative for enhancing supply of money.
- To build up capital through savings.
- To expedite investments.
- To extend services to the customers.
- To maintain economic stability by means of controlling money market.
- To extend co-operation and advices to the Govt. on economic issues.
- To assist the Govt. for trade& business and socio-economic development.
- To issue and control notes and currency as a central bank.
- To maintain and control exchange rates as a central bank.

2.5.3 Objectives From Govt. clients' Of Views

- To get high interest
- To minimize the risk
- To save time
- To save money
- To save energy
- To get loan for trade& business and socio-economic development
- To build up capital through savings

2.6 Basic function of bank



2.7 Basic Principles of Banking Business

- Principles of liquidity
- Principles of Profitability
- Principles of Solvency
- Principles of Safety
- Principles of Collection of savings
- Principles of Loan and investment policy
- Principles of Economy
- Principles of Providing services
- Principles of Secrecy
- Principles of Modernization

- Principles of Specialization
- Principles of Location
- Principles of Relation
- Principles of Publicity

2.8 History of Banking Sector In World

The **history of banking** refers to the development of banks and banking throughout history, with banking defined by contemporary sources as an organization which provides facilities for acceptance of deposits, and provision of loans.^[1]

The history begins with the first prototype banks of merchants of the ancient world, which made grain loans to farmers and traders who carried goods between cities. This began around 2000 BC in Assyria and Babylonia. Later, in ancient Greece and during the Roman Empire, lenders based in temples made loans and added two important innovations: they accepted deposits and changed money. Archaeology from this period in ancient China and India also shows evidence of money lending activity.

Many histories position the crucial historical development of a banking system to medieval and Renaissance Italy and particularly the affluent cities of Florence, Venice and Genoa. The Braidand Peruzzi families dominated banking in 14th century Florence, establishing branches in many other parts of Europe.^[2] The most famous Italian bank was the Medici bank, established by Giovanni Medici in 1397.^[3] The oldest bank still in existence is Banca Monte dei Paschi di Siena, headquartered in Siena, Italy, which has been operating continuously since 1472.

2.9 History of Banking Sector In Bangladesh

Bangladesh is a developing country. Banking sector plays a pivotal role in the economic development of the country. Banking system of a country can well be said as a barometer of its economic prosperity. Well-developed banking system is indispensable for modern trade and commerce. Now-a-days, banks not only act as custodian of public money but also are indispensable as vital agent for maintenance of sound financial position of a country.

Nationalized Commercial Banks (NCBs) were established in Bangladesh in 1972 through amalgamation of twelve commercial banks that were operating in pre-independent Bangladesh allowing the poor access to fund, reducing capital flight to foreign countries, and increasing domestic investment were some of the basic objective of this nationalization. That means a society with wealth distributed as equitably as possible. But with time difference those banks has changed their policies and strategies, which were not fulfilling the class banking policies of the government. On an evaluation of the activities of commercial banks, it has been observed that the progresses made by the banking industry since nationalization was not impressive. The nationalized banks could not play the due role in the implementation of government programs and policies.

2.10 Overview of Banking Environment In Bangladesh

Bangladesh Bank: The Regulatory Body

The Bangladesh Bank is the country's central bank and is responsible for issuing and maintaining the value of the currency. It oversees the banking system and implements the government's financial and monetary policies. With the exception of foreign banks, Bangladesh's banking system was government-owned until 1982. The government is increasingly allowing more private commercial and investment banks to increase competition. Of the 52 licensed banks in June 2001, four were nationalized commercial banks, five were specialized banks, 30 were private commercial banks, and 13 were foreign banks. Other financial institutions, such as the Industrial Promotion and Development Company of Bangladesh, take an active part in financing industrial projects. The functions and responsibilities of the Bangladesh Bank are not clearly defined, and it lacks autonomy in such core areas as the licensing of new banks, monetary and exchange rate policies, and supervision of the nationalized commercial banks, which together account for over 50% of both total deposits and lending. Although major policy reforms have been undertaken during the past few years, including deregulation of interest rates, strengthening of standards of loan classification and provisioning, and elimination of the Bangladesh Bank's control over most financial transactions, the financial sector continues to be underdeveloped and inefficient.

Industry Analysis

According to Hill, –An *Industry* can be defined as a group of companies offering products or services that are close substitutes for each other.|| Close substitutes here refers to products or services that satisfy the same basic consumer needs. In order to understand an entity’s business, one needs to take a closer look at the industry where the entity is operating. Here, the banking industry of Bangladesh will be analyzed through the usage of two models, namely *Porter’s Five Forces Model* and the *Industry Life Cycle Model*.

The Industry Life Cycle Model

The industry life cycle model is a useful tool for analyzing the effects of an industry’s evolution on competitive forces. Using this model, we can identify five industry environments, each linked to a distinct stage of an industry’s evolution. The stages are:

1. Embryonic Industry Environment
2. Growth Industry Environment
3. Shakeout Industry Environment
4. Mature Industry Environment
5. Declining Industry Environment

It is very important for a business entity to have a clear idea regarding the industry life cycle. Each stage of the life cycle requires unique and differentiated strategy formulation. If we analyze all the characteristics of the life cycle model, we can see that the banking industry of Bangladesh is in its growth stage. However, the shakeout stage does not seem too far a reality. Some of the characteristics of the shakeout stage are already evident.

Porter’s Five Forces Model

The model focuses on five forces that shape competition within an industry:

1. The Risk of New Entry by Potential Competitors
2. The Degree of Rivalry Among Established Companies Within an Industry
3. The Bargaining Power of Buyers
4. The Bargaining Power of Suppliers
5. The Threat of Substitute Products

Porter argues that the stronger each of these forces is, the more limited is the ability of established companies to raise prices and earn greater profits. Thus, a strong competitive force can be regarded as a threat since it depresses profit. Similarly, a weak competitive force can be viewed as an opportunity, for it allows a company to earn greater profits.

Potential Competitors

Potential competitors are companies that are not currently competing in an industry but have the capability to do so if they choose. The banking industry in our country is still in its growth stage. So the threat of potential entrants is quite high. Barriers to entry are factors that make it costly for companies to enter an industry. The common barriers to entry are *Brand Loyalty, Absolute Cost Advantage, Economies of Scale* and *Government Regulations*. In Bangladesh, the question of Brand Loyalty is somewhat evident in the banking industry. A person who is a loyal customer of a local or government owned bank usually does not opt for an account in a multinational bank, whatever lucrative the benefits seem. This creates barriers for new entrants –Fragmented|| industry and its attributes will be discussed in the following section.

Rivalry among Established Companies

The second of Porter's five competitive forces is the extent of rivalry among established companies within an industry. If this rivalry is weak, companies have an opportunity to raise prices and earn greater profits. If rivalry is weak, companies have an opportunity to raise prices and earn greater profits. The extent of rivalry among established companies within an industry is largely a function of three factors:

- a) The industry's competitive structure
- b) Demand conditions
- c) The height of exit barriers in the industry

a) The Competitive Structure

Competitive structure refers to the number and size distribution of companies in an industry. Structures vary from *fragmented* to *consolidated* and have different

implications for rivalry. A fragmented industry contains a large number of small or medium-sized companies, none of which is in a position to dominate the industry. A consolidated industry may be dominated by a small number of large companies (oligopoly) or in extreme cases, by just one company (a monopoly). In many countries, banking is a consolidated industry, with a few major players in the market. But in our country, the industry is very much consolidated, as a whole.

b) Demand Conditions:

An industry's demand conditions are another determinant of the intensity of rivalry among established companies. Growing demand from either new customers or additional purchases by existing customers tends to moderate competition by providing greater room for expansion. Growing demand tends to reduce the rivalry because all companies can sell more without taking market share away from other companies. In the case of banking, the demand has been growing at a satisfactory rate, throughout the last decade. However, it is not certain whether the trend will sustain or not.

c) Exit Barriers

Exit barriers are economic, strategic and emotional factors that keep companies in an industry even when returns are low. If exit barriers are high, companies can become locked into an unprofitable industry in which overall demand is static or declining. The common exit barriers are:

- i. Investment in plant and equipment that have no alternative uses and cannot be sold off.
- ii. High fixed costs of exit
- iii. Emotional attachments to an industry
- iv. Economic dependence on the industry

In order to keep up-to-date with today's complicated banking practices, a bank needs to invest on computers, software, secured vaults, security systems and different other controlling and monitoring measures. Most of these assets are customized, and therefore

serves the purposes of the intended organization, only. This customization nullifies the resell value of these assets.

High fixed costs of exit can appear in the form of employee severance payments, and also in the form of government penalties, etc.

Buyer and Supplier Defined

In a typical industry, the buyers are the customers that avail the offerings from the incumbent firms. On the other hand, suppliers are the firms that provide raw materials for the producers. Using their raw materials, the firms produce goods and sell it to the customers. This is a typical buyer-seller scenario. However, the banking industry is a bit different from a typical industry. The two major functions of a bank are providing money depositing facilities and loan facilities. When a person takes a loan from a bank, he is a buyer. However, when he deposits his money to the same bank, he becomes the supplier. Thus the same individual can become the buyer and seller, simultaneously. The directors of a bank are also suppliers for that particular bank.

The Bargaining Power of Buyers

Bargaining power of the buyer can be viewed as a competitive threat when they are in a position to demand lower prices from the company or when they are in a position to demand better service that can increase operating costs. On the other hand, when buyers are weak, a company can raise its prices and earn greater profits. For the banking industry buyer means customers who take loan from the banks. The bargaining power of the buyers depends on the following factors:

a) Number of Loan Applicants:

There are more than 50 banks in our banking sector including multinational and nationalized banks. There are not enough original business loan applicants in our country. Investment opportunities are not growing as well; for lots of other factors. So, banks are setting with their idle money for giving loans; mostly in the form of personal credits. As a result, competition for doing business is increasing day by day among established companies.

b) Switching Cost:

Switching cost is very low in banking industry. Every bank is giving the similar types of loan at similar interest rate. So, an individual who wants to take loan from banks can switch easily to other banks if he or she doesn't like the terms and conditions.

c) Threat of Backward Integration:

In banking industry, there is always a chance for threat of backward integrations. Big multinational companies or corporations can give threats to the commercial banks that they will arrange their funds by forming another bank where the cost of fund is low compared to other banks.

The Bargaining Power of Suppliers

Bargaining power of suppliers can be viewed as a threat when the suppliers are capable of forcing up the price that a company must pay for its inputs or reduce the quality of the inputs they supply, thereby depressing the company's profitability.

a) Number of Supplier:

Bargaining power of the fund suppliers is low in banking industry because there are lots of individual savings in the economy but banks don't have too many opportunities for investment.

b) Threat of Forward Integration:

Sometimes suppliers of funds can give threat to the bank as well. Corporations or big multinational companies can give threat to the private bank that they will form another bank for depositing their money. They will not supply any fund to other banks. We all know that bank makes money by investing other's money. So, this can lead to a higher competition in procurement of fund.

The Threat of Substitute Products

The final force in Porter's model is the threat of substitute products. Substitute products are those of industries that serve consumer needs in a way that is similar to those being

served by the industry being analyzed. Loans, the major banking product, have some substitutes. All informal sources and channels of financing are treated as viable substitutes. Some wealthy individuals, whom are often usurers as well, lend out money at a very high interest rates

Role of Macroeconomic Environment

The banking industry is not a self-contained entity. It is embedded in a wider macro environment—the broader economic, technological, social, demographic and political environment. Changes in the microenvironment can have a direct impact on the banking sector, improving or deteriorating the profitability of the sector, permanently or temporarily.

✓ **The Macroeconomic Environment**

The state of the macroeconomic environment determines the general health and well-being of the economy. This in turn affects a company's ability to earn an adequate rate of return. The four most important factors in the macro economy are:

- a) The growth rate of the economy
- b) Interest rates
- c) Currency exchange rates
- d) Inflation rates

If the growth rate of the economy is high, consumer expenditure increases, which helps most businesses. However, the growth rate of our economy is moderate, which provides moderate opportunities for the banks to expand their operations and earn higher profits.

✓ **The Technological Environment:**

Technological changes can act as a barrier to entry in an industry. Previously, the usage of computers and electronic databases were unknown to most people of our country. But

the scenario has changed a lot in the last 8 to 10 years. After the elimination of duties on computers and accessories, the price of personal computers fell sharply. This created a boom in the computer industry.

✓ **The Social Environment**

As with technological change, social change creates opportunities and threats. Due to changes in cultural values and education, people trust the banks more than ever. Previously, bank loans were perceived as a mean of getting bankrupt—through paying excessive interests. But today's 4 years installment personal loans are gaining popularity. Borrowers are still paying interests, but they are not being compelled to live with the loan burden for 10 to 15 years—it's all over within a brief time frame. All these factors are contributing positively towards the banking industry.

✓ **The Demographic Environment**

Currently, individuals are getting established at a younger age. These individuals are the prime targets of many of the banking services like credit cards, personal loans, etc. Being younger in age, these individuals tend to spend more in luxury items, and they need to take loans in order to fulfill their desires. Realizing this opportunity, the banks cleverly brought out different loan schemes. This change in demographic environment has proven to be a great opportunity for the banks operating in Bangladesh.

✓ **The Political and Legal Environment**

The political and legal environment of Bangladesh has never been impressive. This volatile environment creates a lot of difficulties for banks. Due to lack of law enforcement, the percentage of defaulted business loans had been historically high in our country. American Express Bank was compelled to shut down their corporate banking due to high number of defaulted loans.

2.11 Banks Operated In Bangladesh

2.11.1 Central Bank

A central bank, or monetary authority, is a monopolized and often nationalized institution given privileged control over the production and distribution of money and credit. In modern economies, the central bank is responsible for the formulation of monetary policy and the regulation of member banks.

2.11.2 Objectives of Central Bank

As the central Bank of Bangladesh, the broad objectives of the Bank are :

- To regulate currency issuance and to keep foreign exchange reserves.
- To manage the monetary and credit system of Bangladesh with a view to stabilizing domestic monetary value.
- To preserve the par value of the Bangladeshi Taka.
- To promote and maintain a high level of production, employment and real income in Bangladesh; and to foster growth and development of the country's productive resources.
- To reserve all the rights of the bank.

2.11.3 Functions OF Central Bank

BB performs all the core functions of a typical monetary and financial sector regulator, and a number of other non core functions. The major functional areas include :

- Formulation and implementation of monetary and credit policies.
- Regulation and supervision of banks and non-bank financial institutions, promotion and development of domestic financial markets.
- Management of the country's international reserves.
- Issuance of currency notes.
- Regulation and supervision of the payment system.

- Acting as banker to the government.
- Money Laundering Prevention.
- Collection and furnishing of credit information.
- Implementation of the Foreign exchange regulation Act.
- Managing a Deposit Insurance Scheme.

2.11.4 Rules and regulations imposed by central bank (foreign exchange)

The increasing globalization has led to a massive growth in the number of foreign transactions in recent times. The foreign exchange market, globally, experiences transactions of trillions of dollars on daily basis. Foreign exchange transactions encompass many things, starting from billion-dollar payments made by business conglomerate, corporate giants and governments for goods and services purchased from overseas to the conversion of currencies by a traveler at an airport. Bangladesh inherited its Foreign Exchange Regulation Act 1947 (hereinafter referred to as—Act||) from the British Government. The Act, prior to the most recent amendment, was modified couple of times; the changes made the law definite in respect of Bangladeshi citizens, but uncertainty continued when it came to foreigners living in the country.

On 9th September 2016 the Foreign Exchange Regulation Act, 1947 has again been amended. Through this recent amendment, certain unnecessary or burdensome requirements for investors and other stakeholders have been abolished.

Previously most of the business entities had to obtain permission under section 18A of the Act from the Bangladesh Bank for their expatriate employees for their employment in Bangladesh and remittance purposes; however, this provision has been omitted by other provision. Now such onus to take permission is not on the entities; rather imposed directly on the subscribing bank.

Any foreign establishment, who is willing to introduce its branches or liaison offices in Bangladesh, does not have to give any prior information to the Bangladesh Bank, as it was given before. With the slight help of **Attorneys/Advocates/Lawyers/Solicitors in Bangladesh**, such establishment will be able to start its work once the Board of

Investment of Bangladesh gives its permission, but establishments will have to inform the Bangladesh Bank within a month eventually.

The current legislation also moves forward to treat both Bangladesh citizens and foreigners on same proportion in various aspects. For instance, the government may require both residents of Bangladesh and foreigners to provide details of their assets, immovable and other property, they have in abroad. The Bangladesh Bank now has the power to seek detailed information about foreign currency holdings and investments in foreign securities from both Bangladesh nationals and foreigners living in Bangladesh.

Such amendment would certainly encourage the foreign investments in Bangladesh by easing and smoothening foreign investment procedure; and, consequently, expand the international trade.

The cabinet today approved in principle the draft of the 'Foreign Exchange Regulation (Amendment) Act, 2016' updating the existing law on regulating the purchase and selling of foreign currencies and securities.

The new law proposed for giving authority to the government to ask any local or foreign resident to come up with information about their foreign exchange or securities and immovable or other properties abroad.

The approval was given in the regular meeting of the cabinet held at the cabinet room of Bangladesh Secretariat with Prime Minister Sheikh Hasina in the chair.

2.12 Scheduled Banks

2.12.1 State Owned Commercial Banks

1. Agrani Bank Limited
2. BASIC Bank Limited
3. Janata Bank Limited
4. Rupali Bank Limited
5. Sonali Bank Limited
6. Bangladesh Development Bank Limited

2.12.2 Private Commercial Banks

➤ Conventional Commercial Bank

1. AB Bank Limited
2. Bangladesh Commerce Bank Limited
3. Bank Asia Limited
4. BRAC Bank Limited
5. City Bank Limited
6. Dhaka Bank Limited
7. Dutch-Bangla Bank Limited
8. Eastern Bank Limited
9. IFIC Bank Limited
10. Jamuna Bank Limited
11. Meghna Bank Limited
12. Mercantile Bank Limited
13. Midland Bank Limited
14. Modhumoti Bank Limited
15. Mutual Trust Bank Limited
16. National Bank Limited
17. National Credit & Commerce Bank Limited
18. NRB Bank Limited
19. NRB Commercial Bank Limited
20. NRB Global Bank Limited
21. One Bank Limited
22. Premier Bank Limited
23. Prime Bank Limited
24. Pubali Bank Limited
25. Shimanto Bank Limited
26. South Bangla Agriculture & Commerce Bank Limited
27. Southeast Bank Limited
28. Standard Bank Limited
29. The Farmers Bank Limited
30. Trust Bank Limited

31. United Commercial Bank Limited

32. Uttara Bank Limited

➤ **Islamic Shariah based Commercial Banks**

1. Al-Arafah Islami Bank Limited

2. Bank Limited

3. First Security Islami Bank Limited

4. ICB Islamic Bank Limited

5. Islami Bank Bangladesh Limited

6. Shahjalal Islami Bank Limited

7. Social Islami Bank Limited

8. Union Bank Limited

➤ **Foreign Commercial Banks**

1. Bank Al-Falah Limited

2. Citibank N.A

3. Commercial Bank of Ceylon PLC

4. Habib Bank Limited

5. National Bank of Pakistan

6. Standard Chartered Bank

7. State Bank of India

8. The Hong Kong and Shanghai Banking Corporation Limited

9. Woori Bank

2.12.3 Specialized Financial Institutions

1. Grameen Bank

2. House Building Financial Corporation (HBFC)

3. Palli Karma Sahayak Foundation (PKSF)

4. Samabay Bank

2.13 Non-Scheduled Banks

1. Ansar VDP Unnayan Bank
2. Jubilee Bank
3. Karmashangosthan Bank
4. ProbashiKollyan Bank

2.14 Role of bank in economic development of Bangladesh

Banks are mainstream of the financial system of a country. Banking system must be robust, resilient and sound for efficient inter-mediation of financial resources. Lack of any one or all these prerequisites would not bring only disaster for the country also cost the real sector. Our government has taken various types of reform programs time to time making banking system more effective so that positive impact of banking system on our everyday life in economic activities can be more realized.

- Agriculture is the main sector of our economy. According to the new GDP measurement system, it provides about 22 percent of our GDP. Though the total amount of credit increases day by day, the portion of credit has decreased in agriculture, fishery and forestry sector whether it has reduced into half at percent. The rescue of agriculture revenue is hearty than others sectors and this credit directly affects the agricultural production.
- Industrial sector acts as a main sector of GDP in the developed countries but unfortunately, this sector performance is very weak in our country and participation of GDP in this sector is 17.79 percent. This sector gets the highest credit from commercial banks.
- Business sector has become major role playing sector in our economy. Now-a-days almost 14.47 percent of GDP comes from merchandise sector, which is lucid from different statistical data. In 1981, One reason of gets more credit in business sector is that the probability of default loan is comparatively low vis-a-vis other sectors. But now-a-days, default culture has also increased in trading sector. Only garments artistry takes on prominent credit is TK 786 crore and TK 878 crore respectively

provided by private and national commercial banks provide 24 percent of total credit in business sector and it is only 14.31 percent in case of foreign banks.

- Bank is one of the main means of government by which government can implement different types of step for eradicating poverty. As the branches of bank are available everywhere from downtown area to remotest rural area government uses this channel to provide any financial benefit quickly. Some projects are run by bank with the help of government to wipe-out poverty are as follows:
 1. Rural poor co-operative project in greater Rajshahi, Kustia and Jessore area with the help of Sonali Bank.
 2. Self-reliance loan project through the self-reliance Bangladesh and financed by Sonali Bank.
 3. Small and landless farmers development project by Janata Bank.
 4. Small and marginal farming.

Foreign Commercial Banks have provided 39.9 percent of total credit in other sectors. In this time National Commercial Banks and PCB's provided 7.15 percent of their total credit and Private Commercial Banks provided 10.21 percent of total credit in other sectors.

2.15 Future prospect of the Banking Sector in Bangladesh

There are huge possibilities of the banking sector in Bangladesh. These are below:

- Banking sector of Bangladesh has a great opportunity to become a major sector of the national economy.
- Bangladesh has huge number of population.
- This advantage may accelerate expansion and growth of Bangladeshi banking sector
- Bangladeshi banking sector is very much capable to ensure proper quality of the product services as per requirement of the global market.
- There are ten foreign banks active in Bangladesh but no Japanese bank yet.

International Finance Investment and Commerce Bank Limited

(IFIC Bank)



(Mercantile Bank Limited)



3.1 An Overview of IFIC Bank

Bank can be the major contributory part behind this development. A bank is a financial institution licensed by a government. Its primary activities include borrowing and lending money. Many other financial activities were allowed over time. Bank lending is important for the economy in the sense that it can simultaneously finance all of the sub-sectors of financial arena, which comprises agricultural, commercial and industrial activities of a nation. In the present economic policy achieving the high economic growth is the basic principle, so in order to achieve the objective the banking sector plays an important role. IFIC BANK LTD. is one of the largest leading banks In Bangladesh. It also operates in Nepal, Pakistan& Oman quite well. It offers lots of products and service

International Finance Investment and Commerce Bank Limited –IFIC Bank|| came in to existence in 1976 as a joint venture between the Government of Bangladesh and sponsors in the private sector with the objective of working as a finance company within the country and setting up joint venture banks/financial Institutions abroad. IFIC was incorporated as a public limited company with an authorized capital of Tk. 20 core and paid up capital of Tk.10 core. IFIC commenced its operation on February 28, 1977 with a Subscribed capital of Tk.5 core, contributed by leading private sector entrepreneurs in the country. The Government held 49 percent shares and the rest 51 percent were held by the sponsors and general public.

3.2 An Overview of Mercantile Bank Limited

Mercantile Bank Ltd. is committed to provide high quality services to its constituents through different financial products and profitable utilization of fund and contribute to the growth of GDP of the country by financing trade and commerce, helping industrialization, boosting export, creating employment opportunities for the educated youth and encouraging micro-credit leading to poverty alleviation and improving the quality of life of the people and thereby contributing to the overall socio-economic development of the country.

With this vision mentioned above, Mercantile Bank Limited was incorporated in Bangladesh as a public limited company with limited liability under the Bank Companies Act, 1991 on 20th May 1999 and commenced commercial operation on 02 June 1999. MBL now is one of the most renowned bank in the private sector.

The commercial banking activities of the Bank are encompasses a wide range of services including accepting deposits, making loans, discounting bills, conducting money transfer and foreign exchange transactions, and performing other related services such as safe keeping, collecting, issuing guarantee, acceptances and letters of credit.

3.3 MissionAndStrategy Of IFIC Bank Limited

✓ **Mission:**

IFIC mission is to provide service to the clients with the help of a skilled and dedicated work force whose creative talents, innovative actions and competitive edge make their position unique in giving quality service to all institutions and individuals that they care for. They are committed to the welfare and economic prosperity of the people and the community, for they derive from them their inspiration and drive for onward progress to prosperity. In an intensely competitive and complex financial and business environment, they particularly focus on growth and profitability of all concerned.

✓ **Strategy:**

IFIC Bank Limited mainly follows top down approach to take necessary decisions for the company. Basically they follow the centralize strategy where the Head Office of the Bank control and monitor all the activity of its branches. In case of marketing strategy they basically depend on -word of mouth|| as they are already well reputed for its long-term service in the banking industry. The strategic priorities of IFIC bank are:

1. To strive for sound business growth by ensuring customer satisfaction through quality and timely services.
2. To manage and operate the Bank in the most efficient manner to ensure achievement of goal.
3. To maintain adequate capital flow to support further growth.

4. To ensure effective and efficient risk management for sustainable business growth.
5. To diversify loan portfolio through structured finance and expansion of Corporate, SME, Agri and Retail businesses.
6. To mount state-of-the-art technologies and adopt innovative ideas for financial inclusion.
7. To groom human resources for serving customers efficiently.
8. To increase brand visibility by creating positive image of the bank.
9. To be a trend-setter in serving the society and remain responsive to the environment.
10. To ensure sound corporate governance.
11. To facilitate mobility in banking by up gradation of internet and mobile banking.
12. To add value for all stakeholders.

3.4 Mission And Strategy Of Mercantile Bank Limited

✓ **Mission:**

Mercantile Bank Limited aims to become one of the leading banks in Bangladesh by prudence, flair and providing quality of operations in their banking sector. The bank has some mission to achieve the organizational goals. Some of them are as follow as:

- MBL provides high quality financial services to strengthen the well-being and success of individuals, industries and business communities.
- Its aim is to ensure their competitive advantages by upgrading banking technology and information system
- MBL intends to play more important role in economic development of Bangladesh and its financial relations with the rest of the world by interlining both modernistic and international operations.
- It encourages investors to boost up share market and also creates wealth for the shareholders.
- Mercantile Bank Limited extend highest quality of services, which attract the customers to choose them first.
- The bank intends to meet the needs of their clients and enhance their profitability by creating corporate culture.

✓ **Strategy:**

- To achieve positive Economic Value Added (EVA) each year.
- To be market leader in product innovation.
- To be one of the top three Financial Institutions in Bangladesh in terms of cost efficiency.
- To be one of the top five Financial Institutions in Bangladesh in terms of market share in all significant market segments they serve.

3.5 Board Of The Directors Of IFIC Bank

SL.No	Name of the Director	Designaton
01.	Mr. Salman F Rahman, Honourable Chairman	Chairman
02.	Mr. Anwaruzzaman Chowdhury Honourable Independent Director	Member
03.	Ms. Rabeya Jamali, Honourable Independent Director	Member
04.	Mr. Jalal Ahmed, Honourable Director	Member
05.	Mr. A.R.M. Nazmus Sakib, Honourable Director	Member
06.	Ms. Quamrun Naher Ahmed, Honourable Director	Member
07.	Mr. M. Shah Alam Sarwar, Managing Director & CEO	Member
08.	Md. Mokammel Hoque, Company Secretary	Member

Table-01: BOARD OF THE DIRECTORS OF IFIC BANK

3.6 Board Of The Directors Of MBL

SL.No	Name of the Director	Designaton
01.	A.K.M. Shaheed Reza, Chairman	Chairman
02.	Md. Abdul Hannan, Vice Chairman	Member
03.	A. S. M. Feroz Alam Vice Chairman	Member
04.	Md. Anwarul Haque, Director	Member
05.	Dr. Mahmood Osman Imam, Independent Director	Member
06.	M. Amanullah, Director	Member
07.	Shahidul Ahsan Director	Member
08.	Al-Haj Akram Hossain (Humayun), Director	Member

09.	Mohd. Selim, Director	Member
10.	MorshedAlam, MP, Director	Member
11.	Md. ShahabuddinAlam, Director	Member
12.	AlhajMosharrefHossain, Director	Member
13.	Dr. Md. RahmatUllah, Independent Director	Member
14.	KaziMasihurRahman,Managing Director & CEO	Member

Table-02: BOARD OF THE DIRECTORS OF MBL

3.7 Management committee Of IFIC Bank

SL. No	Name of the Director	Designation
01.	Mr. M. Shah AlamSarwar, Managing Director & CEO	Chairman
02.	Mr. M.M. HaikalHashmi, Deputy Managing Director	Member
03.	Mr. RaihanUIAmeen, Deputy Managing Director	Member
04.	Mr. Shah Md. Moinuddin, Deputy Managing Director	Member
05.	Mr. Md. NurulHasnat, Deputy Managing Director	Member
06.	Mr. Md. Bader Kamal, Head of Internal Control & Compliance	Member
07.	Mr. Syed Mansur Mustafa, Chief Credit Officer	Member
08.	Mr. K A R M Mostofa Kamal, Head of HRM	Member
09.	Mr. AshimChowdhury, Head of Business Project Management	Member
10.	Mr. Syed Fazle Ahmed, Branch Manager, Gulshan Branch	Member
11.	Mr. Md. BadrulAlam, Chief Law Officer	Member
12.	Mr. IqbalParvezChowdhury,Branch Manager, Agrabad	Member
13.	Mr. Md. Rafiqul Islam, Branch Manager, Principal Branch	Member
14.	Ms. Ferdousi Begum, Head of Retail Bnking	Member
15.	Mr. Dilip Kumar Mandal, Chief Financial Officer	Member
16.	Mr. Md. MokammelHoque, Company Secretary	Member

Table-03: MANAGEMENT COMMITTEE OF IFIC BANK LIMITED

3.8 Management committee MercantileBank Limited

SL No.	Name of the Director	Designation
1.	Al-Haj AkramHossain	Chairman
2.	M. S. Ahsan	Vice Chairman
3.	Md. Abdul Hannan	Vice Chairman
4.	A.K.M. Shaheed Reza	Director
5.	Dr. Mahmood Osman Imam	Director
6.	Md. ShahabuddinAlam	Director
7.	M. Amanullah	Director
8.	A. S. M. FerozAlam	Director
9.	Md. AnwarulHaque	Director
10.	Mohd. Selim	Director
11.	Morshedalam, M.P	Director
12.	Al-Haj MosharrefHossain	Director
13.	Dr. Md. RahmatUllah	Independent Director
14.	M EhsanulHaque	Managing Director & CEO

Table-03: MANAGEMENT COMMITTEE OF MBL

3.9 Capital and Reserve of IFIC bank

Capital		Reserve	
1. Authorized Capital:		1. Statutory Reserve:	
Year	Taka(in million)	Year	Taka(in million)
2014	20000	2014	2833
2015	20000	2015	3374
2016	20000	2016	3910
2. Paid up Capital:		2. Other Reserves:	
Year	Taka(in million)	Year	Taka(in million)
2014	3807	2014	187
2015	4378	2015	173
2016	4738	2016	168

Table-04: Capital and Reserve of IFIC Bank

3.10 Capital and Reserves of Mercantile Bank

Capital		Reserve	
1. Authorized Capital:		1. Statutory Reserve:	
Year	Taka(in million)	Year	Taka(in million)
2014	12000.00	2014	3765.42
2015	12000.00	2015	4223.12
2016	12000.00	2016	4839.31
2. Paid up Capital:		2. Other Reserves:	
Year	Taka(in million)	Year	Taka(in million)
2014	6599.61	2014	753.36
2015	7391.57	2015	852.29
2016	7981.67	2016	1137.11

Table-05: Capital and Reserves of MBL

3.11 Milestones in the development of the IFIC bank

1976	Established as an Investment & Finance Company under arrangement of jointventure with Government of Bangladesh.
1980	Commenced operation of Foreign Exchange Business in a limited scale.
1982	Obtained permission from the Govt. to operate as a commercial bank, set up its first overseas joint venture (Bank of Maldives Limited) in the Republic of Maldives (IFIC's share in Bank of Maldives limited was subsequently sold to Maldives Govt. in 1992).
1983	Commenced operation as a full-fledged commercial bank in Bangladesh.
1985	Set up a joint venture Exchange Company in the Sultanate of Oman, titled Oman Bangladesh Exchange Company (subsequently renamed as Oman International Exchange, LLC).
1987	Set up its first overseas branch at Karachi in Pakistan.
1993	Set up its second overseas branch at Lahore in Pakistan.
1994	Set up its first joint venture in Nepal for banking operation, titled Nepal Bangladesh Bank Ltd.
1999	Set up its second joint venture in Nepal for lease financing, titled Nepal Bangladesh

	Finance & Leasing CO. Ltd. (which was merged with NBBL in 2007).
2003	Set up a new Bank in Pakistan, NDLC-IFIC Bank Ltd. (Subsequently renamed as NIB Bank Ltd.) and the overseas Branches of IFIC and local leasing companies, NDLC were amalgamated with and into it.
2005	Acquired MISYS solution for real time online banking application, Core Risk Management implemented.
2007	Launched VISA branded Credit Card (completed full range of Cards i.e. Debit, Credit & Prepaid by 2010).
2010	Set up Offshore Banking Unit (OBU).
2012	Established a fully owned subsidiary exchange company named IFIC MoneyTransfer (UK) Ltd.
2013	Inauguration of 100 th Branch at Tejgaon-Gulsan Link Road in Dhaka.

Table-06: Milestones in the development of the IFIC bank

3.12 Milestones in the development of the Mercantile Bank

May 20, 1999	Incorporation of the Bank
June 02, 1999	Commencement of Business
October 29, 2000	Opening of 10 th Branch
July 03, 2002	Opening of 15 th Branch
June 30, 2003	Publication of Prospectus for IPO
October 21-22, 2003	Subscription for Shares
December 24, 2003	Opening of 20 th Branch
February 16, 2004	Listed in Dhaka Stock Exchange
February 26, 2004	Listed in Chittagong Stock Exchange
December 29, 2004	Opening of 25 th Branch
December 05, 2006	Opening of 30 th Branch
December 17, 2007	Opening of 40 th Branch
June 06, 2009	Mercantile Bank Brokerage House operation
October 22, 2009	Opening of 45 th Branch
December 30, 2009	Opening of 50 th Branch
December 30, 2010	Opening of 65 th Branch

September 14, 2012	Separate Operation of Mercantile Bank Securities Ltd.
December 06, 2012	Mercantile Exchange House (UK) Limited
September 20, 2013	Opening of Mercantile Exchange House (UK) Limited, London Branch
December 27, 2013	Opening of 86 th Branch
December 29, 2014	Opening of 91 th Branch
December 24, 2015	Opening of 100 th Branch
29-Dec-2016	Opening of 109 th Branch

Table-07: Milestones in the development of the Mercantile Bank

3.13 Human Resources Division (HRD) Of IFIC

Since efficient Human Resource is one of the most essential requirements for survival in this competitive world, the Bank always puts magnitude on the resource so as to drive the organization towards its goal.

The Human Resource Management Division is committed to ensuring that the Bank attracts, recruits, develops, retains and sustains a high performing, diverse work force by developing and implementing progressive human resource management policies and strategies. Following figures show HR Health in 2016:

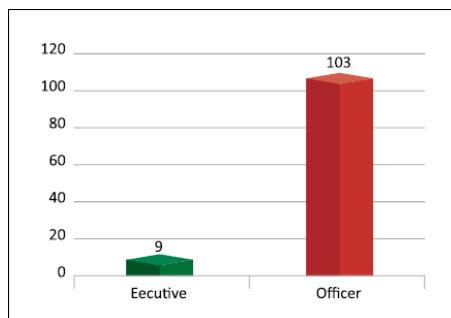


Figure-02: Joining Status 2016

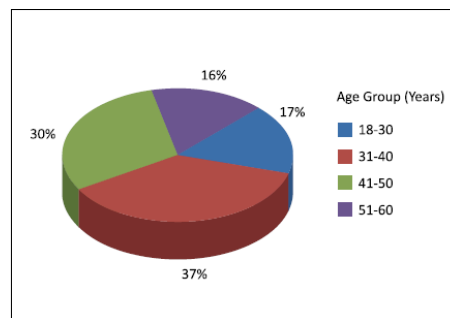


Figure-03 Aging Analysis 2016

With rapid technological changes around the world, automation has been a crucial area of development for any organization especially for service oriented firms like banks. Accordingly, Human Resource Management Division of the Bank has adopted wide-ranging HR software – Orbits. The software operates a central HR database with a number of extensive workflows, notifications and analytical reports.

3.14 Human Resource Division (HRD) MBL

In today's competitive business environment, the quality of human resources makes the difference. The Bank's commitment to attract high quality persons to work for it is reflected in the efforts of the Bank. In the face of today's globalization, the Bank envisages to develop highly motivated workforce and equip them with latest skills and technologies. The Bank evolves human resources development strategy with a view to ensuring good working environment, a high level of loyalty and commitment, devotion and dedication on the part of the employees.

3.15 District – Wise Branch Distribution (IFIC)

Division	Number of Branch
Dhaka	46
Chittagong	23
Sylhet	9
Khulna	12
Rajshahi	11
Total =	101

Table-08: District – Wise Branch Distribution of IFIC Bank

3.16 District – Wise Branch Distribution (MBL)

Division	Number of Branch
Dhaka	49
Chittagong	31
Sylhet	06
Khulna	04
Rajshahi	11
Barisal	05
Rangpur	03
Total	109

Table-09: District-wise Branch distribution of MBL Bank

3.17 General Banking Activities of Bank (IFIC)

General Banking Department is considered as the direct customer service center. It is the starting point of all the banking operation. It opens new accounts, remits funds, honor cheque, takes deposits, issues bank draft and pay order etc. general Banking is also known as retail banking.

3.17.1 Opening Account:

The money deposited with the banker is not held by him in trust but as his debts to the depositors and the relationship that exists between the banker and the depositor is strictly that of debtor and creditor.

3.17.2 Necessary documents to open an account:

When a customer/organization/company/firm/society/club etc. want to open bank account he/she have to filled a bank prescribed form and have to attached their organization's documents are as follows.

Proprietorship

- Trade license
- Photograph

Partnership

- Trade license
- Photograph
- Partnership Deed

Private Limited

- Trade license
- Photograph of Directors
- Certificate copy of Memorandum and Articles of Association
- Certificate of incorporation
- List of Directors as per return of joint stock company with signature
- Resolution for opening account with the bank

After observation of all the formalities/documents mentioned above, the applicant is required to deposit minimum Tk. for opening a savings bank account and Tk for opening a current account. This is called initial deposit. As soon as this money is deposited, the bank opens the bank opens an account in the name of the applicant. It should be noted that the permission of the component authority for opening of an account is a must. The banker then supplies the following books to the customer to operate the accounts||

- ◆ Deposit book
- ◆ A cheque book

3.17.3 Savings account individual or joint

Features

- A regular transactional account offering interest on your deposit
- VISA Debit Card
- 24 hour access to ATMs. Wider access to Q-cash ATMs with free of charge
- SMS banking facility
- Internet banking facility

Requirement

- Photograph – 3 copies
- Nominee photo – 1 copy
- Copy of photo ID - NID/DL/Passport
- Proof of address – copy of utility bill

Fees and Charges

- Cheque Book Fee: Tk. 4/leaf
- Debit Card Fee: Tk.500
- A/C Maintenance Fee: As per BB guideline
- Closing Charge: Tk.200

3.17.4 Other Products And Services

Corporate Banking

IFIC Bank is offering specialist advices and products to corporate clients to meet diverse demands of the changing market scenario. The bank has an extensive branch network all over the country to expedite the client's business growth. The bank facilitates the clients to face the challenges and realize opportunities.

✓ Retail Banking

Retail Banking is mass-banking facility for individual customers to avail banking services directly from the wide branch network all over the country. The bank provides one-stop financial services to all individual customers through its innovative products & services to cater their need. With a view to provide faster and more convenient centralized online banking services, now, all its branches have been brought under the real time online banking system.

IFIC Bank offers a wide variety of deposit products, loan product & value added services to suit the customer's banking requirements. Products and services for individual customer include: Consumer Finance, Deposit Product, Card, NRB Account, Student File, SMS Banking etc.

✓ SME Banking

The growth of Small and Medium enterprises (SMEs) in terms of size and number has multiple effects on the national economy, specifically on employment generation, GDP growth, and poverty alleviation in Bangladesh. At present, Small & Medium Enterprise sector is playing a vital role in creation of new generation entrepreneurs and 'Entrepreneurs Culture' in the country. Experience shows that borrowers of small enterprise sector prefers collateral free loan since normally they cannot offer high value security to cover the exposure.

✓ **Agricultural Credit**

Bangladesh is an agro-based country and majority of the population is dependent on Agriculture. Although maximum of the total population is dependent on agriculture, its contribution to GDP has gradually come down. Moreover, every year a huge amount of food grain and other agricultural products are imported to meet the demand of the country. In order to achieve desired growth in agriculture sector of the country the bank is committed to increase present loan portfolio in agricultural sector. IFIC Bank is offering Agriculture Loan products namely –

- i) KrishiSaronjamRin – for Agriculture Equipments
- ii) ShechSaronjamRin – for irrigation equipments
- iii) Poshupokkhi&MotshoKhamarRin – for Live Stock & Fish Culture &
- iv) PhalphasaliRin – for Fruit Orchard for individuals & group at micro level.

✓ **Lease Finance**

Lease means a contractual relationship between the owner of the asset and its user for a specified period against mutually agreed upon rent.

IFICBL, the highly capitalized private Commercial Bank in Bangladesh has introduced lease finance to facilitate funding requirement of valued customers and growth of their business houses.

Its lease facility is extended to the items like Industrial Machinery, Luxury bus, Mini bus, Taxi cabs.

Lease items:

- Vehicles like Luxury Bus, Mini bus, Taxi Cabs, Cars, Pick-up, CNG three wheeler, etc.
- Industrial Machinery & Equipment.
- Medical Equipment.
- Machinery for Agro-based Industry.
- Construction Equipment.

- Office Equipment.
- Generators, Lifts & Elevators for commercial place.
- Sea or River Transport.
- Computer for IT Education Center.
-

✓ **Consumer Financing**

Consumer finance is one of the parts of Retail Banking. Other Parts are- Deposit Products, Cards, NRB, Student File, and SMS Banking. The target customer of Retail Banking is individual person to accomplish their personal need such as for buying car, for getting married, for getting higher education in abroad, or for any purpose IFIC Bank gives them these kinds of loan with a fixed interest rates. The IFIC Bank offers 12 different products under Consumer Financing Namely- Easy Loan (Secured Personal Loan), Consumer Durable Loan, Parua (Education Loan), Thikana (House Building Loan), Any Purpose Loan, Marriage Loan, CNG Conversion Loan, Home Renovation/Interior Decoration Loan, Holiday Loan, Peshajeebi Loan(Loan for Professional), Auto Loan and Festival Loan.

✓ **Money Transfer**

Joining with one of the world renowned money transfer service –Money Gram|| , IFICBL has introduced its customers to the faster track of remittance. Now IFICBL can bring money in Bangladesh from any other part of the globe in safer and faster means than ever before.

Treasury & Capital Market

IFIC Bank Limited is devoted to capital Market of the country and offers world standard brokerage services for individual and institutional investors. The Bank is responsible for origination of sales, buy and trading of securities of Capital markets. It aims to provide relevant support to its customer with sophisticated and innovative financial solutions and delivering the highest quality of services. It has a seat in Dhaka Stock Exchange Limited.

To manage treasury unit as profit centre, along with guidance from regulatory authorities, the bank equipped itself with clear policies, fit organization structure, deployment of trained staff, modern infrastructural facilities and technological initiatives.

Major functions of treasury division of IFIC Bank are –

- Fund Management
- Management of Statutory Requirement
- Investment
- Trading of Foreign exchange & Money Market Instruments
- Asset Liability Management
- Risk Management

IFIC Bank has a dedicated Treasury team which is capable of providing all treasury solutions through wide range of Treasury products. IFIC Treasury has four different desks, which are specialized in their own area to provide best services with respect to pricing, best possible solution for customer requirement and market information.

3.17.5 Remittance in Bangladesh

Remittance in 2011-2012 FY	
	(\$ in million)
July	1015.58
August	1101.79
September	855.44
October	1039.48
November	908.79
December	1147.22
January	1221.41
February	1133.01
March	1107.49

Figure 04: Remittance in Bangladesh in 2014-2015

3.17.6 Local Remittance

Sending money from one place to another place for the customer is another important service of banks . And this service is an important part of country's payment system. For this service, people, especially businessmen can transfer funds from one place to another place very quickly. There are five kinds of techniques for remitting money from one place to another place.

3.17.7 Pay Order Issue

A payment order (PO) is an instrument to remit fund within a clearing zone. The PO can only be cashed through the issuing branch, he procedures for issuing a PO are as follows:

- Customer submit application to the officer along with money
- Give necessary entry in the bills payable register where payees name, date, PO- no, etc. are mentioned
- Prepared the instruments
- After approved the instruments by authority, it is delivered to the customer

3.17.8 Demand Draft Issue

Demand Draft means money transfer from one branch to another branch of the same bank. It may occur between the two different banks.

3.17.9 Telegraphic Transfer

Telephone Transfer (TT) means transfer of money from one branch to another branch of the same bank through telephone message.

3.17.10 Mail Transfer

Mail transfer means money transfer from one branch to another branch of the same bank. It may occur between the two different banks.

3.17.11 Clearing Section

Cash section is very much important for any bank. Without cash section no bank can do their activities properly. Cash section is directly related to the customer. Following tasks are made in cash section:

- Here the customer deposit and withdraw money.
- Customer may receive different type of financial instrument like Prize bonds.
- Here the customers can pay their utility bills.

3.17.12 Cash Section

Cash department is an important department of any bank. Cash amount is the main source of all banking activities. For that every day bank has to remain certain amount in cash in accordance with the rules and regulations of Bangladesh Bank. Cash section is a very sensitive organ of the branch and handle with extra care.

3.17.13 Dishonor of Cheques

The bank should pay the amount mentioned on the cheque as soon as it is presented. If the amount of cheque is paid by the bank to the payee, the cheque is said to be honored. If the bank refuses to pay the amount of cheque, then the cheque is said to be dishonored.

3.17.14 Deposit Section

- Amounts Received from the Government/Foreign Sources
- Loans from Banking company/Financial Institution

- Inter company deposits
- Amount Received from Employee by way of Security Deposit
- Amount Received from Agents
- Advances against Orders (for supply of goods etc.)
- Subscriptions to Securities
- Calls in Advance of Shares
- Trust Moneys
- Amount Received from Directors or his relative
- Amount Received from Members (only in case of Private co.)
- Secured Bonds or Debentures
- Convertible Bonds or Debentures

3.17.15 Closing Accounts

A banker can close the account of the customer under the following considerable circumstances:

- Death of customer
- Customer's insanity and insolvency.
- Order of the court
- Specific charge for fraud forgery.

3.17.16 Account Section

Accounts department is very important department of general banking. There are many transactions are made in every day in bank. Here the transactions are recording properly. If there is any fault made then the accounts section may check it and do action against it.

3.18 General Banking Activities of MBL

3.18.1 Opening Account

Banker-customer relationship begins with the opening of an account by the customer. Opening of an account binds the same into a contractual relationship. But the selection of customer is very crucial. In fact, fraud and forgery of all kinds start by opening of an account by the customer (s). So, the bank takes extra care in its selection. One of the basic functions of commercial banks is to accept deposits. For accepting deposits both demand and time, Prime Bank Sylhet branch offers the following types of accounts-

A. Demand deposits (Withdrawal on demand)

1. Saving Bank Account
2. Current Account

B. Time Deposits (Payable at a fixed date or after a period of notice)

Contributory Savings Scheme	Monthly Benefit Deposit Scheme
Education Savings Scheme	Fixed Deposit Scheme
Short Term Deposit	Lakhopati Deposit Scheme
Double Benefit Deposit Scheme	Foreign Currency Account
Resident Foreign Currency Deposit Account	Non-resident Foreign Currency Deposit Account
Non-resident Taka Account	Non-resident Investors Taka Account

Types of Accounts with terms and conditions

Savings Bank Account

This deposit is primarily for small-scale savers. Hence, there is a restriction on withdrawals in a week. Heavy withdrawals are permitted only against prior notice. Some Important Points are as follows-

1. Minimum opening deposit of Tk.500/= is required;
2. Check book issuing balance is also the same (Tk. 500/=);

3. Withdrawal amount should not be more than 1/4th of the total balance at a time and limit twice in a week;
4. Interest rate is 6% including 10% excise duty on interest rate. Interest paid twice in a year depending on monthly minimum balance. When money is deposited within 5 of the following month, then it is counted as monthly minimum balance. If the interest amount is more than Tk. 200 or more, the bank is paid the amount to the customer. Otherwise it is treated as Bank's Shadow Profit;
5. Can open the A/c individually or jointly. In case of joint a/c, Joint signature is required if not authorized otherwise;
6. Minor (For withdrawal purpose), lunatic, insolvent, pardanshin women (Not mandatory) can not open such type of account.
7. Recent 2-copy passport size photographs of the A/C. holder duly attested by the Introducer.
8. Recent 1-copy passport size photographs of the Nominee duly attested by the A/C. holder(s).
9. Passport / Driving License / Voter ID / Chairman Certificate.

Current Account

Current account is purely a demand deposit account. There is no restriction on withdrawing money from the account. It is basically justified when funds are to be collected and money is to be paid at frequent interval. It is most suitable for private individuals, traders, merchants, importers and exporters, mill and factory owners, limited company's etc. Some Important Points are as follows-

1. Minimum opening deposit of TK.1000/- is required;
2. There is no withdrawal limit. But in case of large amount say 10 lac or more, bank requires one day before notice;
3. No interest is given upon the deposited money;
4. The Banker is under an obligation to repay these deposits on demand. So, they are called demand liabilities of a Banker.
5. The primary objective of such account is to save big customers like businessmen, joint stock companies, public authorities, etc. from the risk of handling a lot of cash.

6. The cost of providing current account facilities is considerable to the Bank as they make payments and collect the bills, drafts, and checks for any number of times daily. The Bank is, therefore, do not pay interest on current deposits. At the same time, Prime bank charges Tk. 200 as Incidental fee;
7. Minimum Tk. 1000 balance must always maintain all the time;
8. Minor can not open such type of account;
9. Account holder can enjoy SOD or even TOD facility.

Common formalities required for every account

1. Duly filled up Account Opening Form.
2. Introducer's signature on Account Opening Form to be verified by Manager under full signature.
3. Two copies of passport size photograph of account opener(s) duly attested by the introducer.

3.18..2 Documents for opening some special account

In case of Proprietorship Firm-

- Declaration of proprietorship.
- Trade licence.
- Tax Identification No (TIN) directed by Bangladesh Bank.

In case of Partnership Firm-

- Account must be opened in the name of the firm.
- The firm should describe the names and addresses of all partners.
- Board Resolution signed by all partners to open the A/C.
- Photocopy of partnership deed duly attested by notary public.
- Letter of partnership duly signed by all partners.
- Trade licence from municipality.
- Tax Identification No (TIN) directed by Bangladesh Bank.

In case of Private Limited Joint Stock Company-

- Memorandum of Association and Articles of Association duly certified by Chairman or Secretary.
- Board Resolution duly certified by Chairman/ Secretary authorizing to open the A/C with the bank and mentioning the name of the person (s) who will operate the A/C as per provisions of Articles of Association.
- Certificate of incorporation duly certified by Chairman or Secretary.
- List of all Directors with Designation, Address & Specimen Signature duly certified by Chairman or Secretary (Form XII).
- Latest copy of Balance Sheet
- Power of attorney.
- Tax Identification No (TIN) directed by Bangladesh Bank.

In case of Public Limited Joint Stock Company-

- Photocopy of Registration certificate certified by Chairman or Secretary.
- Memorandum of Association and Articles of Association duly certified by Chairman or Secretary.
- Board Resolution duly certified by Chairman/ Secretary authorizing to open the A/C with the bank and mentioning the name of the person (s) who will operate the A/C as per provisions of Articles of Association.

3.18.3 Savings Accounts Individual or Joint

This account has been designed and developed for savers who want to save their income.

There are restrictions of withdrawal in both amount and frequency.

Rate of Interest : 3.50%

Savings Account may be opened in the name of

Individual (Single)

Two or more individuals (joint) who are not partners.

Minor jointly with Natural / Legal Guardian.

Clubs / Societies / Associations or Similar Institutions / non-profit organizations.

Required Documents

Common formalities required for every account

4. Duly filled up Account Opening Form.
5. Introducer's signature on Account Opening Form to be verified by Manager under full signature.
6. Two copies of passport size photograph of account opener(s) duly attested by the introducer.

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In case of Proprietorship Firm-

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- Trade licence.
- Tax Identification No (TIN) directed by Bangladesh Bank.

In case of Partnership Firm-

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- The firm should describe the names and addresses of all partners.
- Board Resolution signed by all partners to open the A/C.
- Photocopy of partnership deed duly attested by notary public.
- Letter of partnership duly signed by all partners.
- Trade licence from municipality.
- Tax Identification No (TIN) directed by Bangladesh Bank.

In case of Private Limited Joint Stock Company-

- Memorandum of Association and Articles of Association duly certified by Chairman or Secretary.

- Board Resolution duly certified by Chairman/ Secretary authorizing to open the A/C with the bank and mentioning the name of the person (s) who will operate the A/C as per provisions of Articles of Association.
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- Latest copy of Balance Sheet
- Power of attorney.
- Tax Identification No (TIN) directed by Bangladesh Bank.

In case of Public Limited Joint Stock Company-

- Photocopy of Registration certificate certified by Chairman or Secretary.
- Memorandum of Association and Articles of Association duly certified by Chairman or Secretary.
- Board Resolution duly certified by Chairman/ Secretary authorizing to open the A/C with the bank and mentioning the name of the person (s) who will operate the A/C as per provisions of Articles of Association.

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Individual (Single)

Two or more individuals (joint) who are not partners.

Minor jointly with Natural / Legal Guardian.

Clubs / Societies / Associations or Similar Institutions / non-profit organizations.

Required Documents

Name of applicant(s) together with name(s) of parents and spouse(s).

- ▶ Present and Permanent Address.
 - ▶ Date of Birth.
 - ▶ Nationality.
 - ▶ TIN (if any).
 - ▶ Duly attested photocopy of valid Passport / Employer's Certificate / ID Card / Driving Licence / Voter ID Card / National ID Card or Certificate about credentials by the local Ward Commissioner / Chairman of Union Parishad.
 - ▶ Two copies of recent passport size Photographs of account holder duly attested by the Introducer.
- One copy of Passport Size Photograph of Nominee duly attested by the Account
- ▶ Holder.

3.18.5 Other Products And Services

Other Products And Services

- Monthly Savings Scheme
- Family Maintenance Deposit
- Double Benefit
- Deposit scheme
- Pension and Family Support Deposit
- Consumers' Credit Scheme
- Small Loan Scheme
- Lease Finance
- Doctors' Credit Scheme
- Rural Development Scheme
- Women Entrepreneurs Development Scheme
- SME Financing Scheme

3.18.6 Remittance In Bangladesh

Foreign Rattan demean foreign currency transferred from one country to another country through proper banking channel. In the other word conversion of one foreign currency in terms of another currency is called Foreign Remittance.

- Family remittance facility
- Remittance of Membership fees/registration fees etc.
- Education
- Remittance of Consular Fees
- Remittance of evaluation fee
- Travel
- Health & Medical
- Seminars & workshops
- Foreign Nationals
- Remittance for Hajji
- Other Private remittance.
- Official & Business Travel:
 - Official Visit
 - Business Travel Quota for New Exporters
 - Business Travel
 - Quota for Importers and Non exporting producers
 - Exporters_ Retention Quota.
- Commercial Remittances:
 - Opening of branches or subsidiary companies abroad
 - Remittance by shipping companies airlines & courier service
 - Remittance of Royalty and technical fees
 - Remittance on account of training & consultancy
 - Remittance of profits of foreign firms/branches
 - Remittance of Dividend
 - Subscriptions to foreign media services
 - Costs/ for Reuter monitors
 - Advertisement of Bangladeshi Products in mass media abroad

3.18.7 Local Remittance

The term **Inward Remittance** includes not only purchase of Foreign Currency by TT, MT, Drafts etc. but also purchases of bills, purchases of Traveler's cheques. Two forms as prescribed by Bangladesh Bank are used for purchase of Foreign Currencies

3.18.8 Pay Order Issue

Pay Order has been issued for the client for to make the client's payment instead of cash. It has been issued to pay with the range of clearinghouse. To issue a Pay Order, bank charges commission and VAT from their client.

3.18.9 Demand Draft Issue

Demand Draft is issue for the customer of the client who pay their payment to other bank, which are out of clearing house.

3.18.10 Telegraphic Transfer

The phrase "telegraphic transfer" used to refer to Telex or cable messages sent between banks to bring about the transfer of money. The phrase is still used in the United Kingdom and British Commonwealth when referring to international money transfers, even though these types of transfers are now done electronically.

3.18.11 Mail Transfer

When there is no SWIFT transfer or draft arrangement, you may opt for mail transfer. As the name suggests, mail transfer is slow compared to other ways of fund transfer.

3.18.12 Clearing Section

The process would take a number of days as cheques would have to be physically taken back to the issuing bank until the development of cheque truncation in the 1990s. In many countries this would be via a central clearing house operated by the banks to make the process more efficient. If there was not enough funds in the account when the cheque arrived at the issuing bank, the cheque would be returned as a dishonored cheque marked as non-sufficient funds.

3.18.14 Cash Section

My duty was to register value of cheques and deposits slips and gave serial (tracer) number to the respective cheques and deposit slips according to the register entry number. Cheques are registered in debit (Dr.) account because bank gives money to customer with cheque which is debit and deposit slips are registered in credit account because with using deposit slip customer deposit money to bank.

3.18.15 Dishonor Of Cheques

The bank should pay the amount mentioned on the cheque as soon as it is presented. If the amount of cheque is paid by the bank to the payee, the cheque is said to be honored. If the bank refuses to pay the amount of cheque, then the cheque is said to be dishonored. Thus the dishonored of the cheque means the refusal by the bank to pay the amount of cheque to the payee.

3.18.16 Deposit Section

One of the main parts of a bank is Cash Department. Customers and clients deposit and withdraw their money from cash counter. Receiving of cash and payment of cheque is the main task of the cash department.

Account holder has to write a deposit slip to deposit the money in the bank. He should write his bearing account number, name and the amount, he wants to deposit in the bank,

carefully. After receiving the cash, the cash officer put his signature and marked –Cash Received|| seal on the deposit slip. If the account holder makes any mistake to write his name or account number then the amount is deposited in a special account, which is called –Sundry|| and had been informed immediately.

3.18.17 Closing Accounts

An account may close-

- When the customer desirous to close the account.
- When the account is inoperative for a long time.
- In case of customer's death, insanity or insolvency.
- When the court on that particular A/C issues Garnishee Order.

3.18.18 Accounts Section

In banking business transactions are done every day and these transactions are to be recorded properly and systematic cally as the banks deal with the depositors' money. Any deviation in proper recording may hamper public confidence and the bank has to suffer a lot. Improper recording of transactions will lead to the mismatch in the debit side and credit side. To avoid these mishaps, the bank provides a separate department whose function is to check the mistakes in passing vouchers or wrong entries or fraud or forgery. This department is called Accounts Department. Besides these, the branch has to prepare some internal statements as well as some statutory statements, which are to be submitted to the Central Bank and the Head Office. This department prepares all these statements.

Chapter 4

Foreign exchange operation in sample banks

4.1 Foreign Exchange

Foreign exchange department plays significant roles through providing different services for the customers. Letters of credit is the key player in the foreign exchange business. With the globalization, international trade has become quite competitive. Timely payment for exports and quicker delivery of goods is, therefore, a pre-requisite for successful international trade operations. Banks are providing different sorts of L/C services like L/C opening, Lodgment, BLC (bills under letter of credit), Back to back LC etc. Foreign exchange department also provide foreign remittance i.e. traveler'scheque, foreign demand draft, endorsement of US\$ in passport etc.

4.2 Foreign Exchange Market and Bangladesh

Foreign Exchange Market allows currencies to be exchanged to facilitate international trade and financial transactions. Evolution of the market in Bangladesh is closely linked with the exchange rate regime of the country. It had virtually no foreign exchange market up to 1993. Bangladesh bank, as agent of the government, was the sole purveyor of foreign currency among users. It tried to equilibrate the demand for and supply of foreign exchange at an officially determined exchange rate, which, however, ceased to exist with introduction of current account convertibility. Immediately after liberation, the Bangladesh currency taka was pegged with pound sterling but was brought at par with the Indian rupee. Within a short time, the value of taka experienced a rapid decline against foreign currencies and in May 1975, it was substantially devalued. In 1976, Bangladesh adopted a regime of managed float, which continued up to August 1979, when a currency-weighted basket method of exchange rate was introduced. The exchange rate management policy was again replaced in 1983 by the trade-weighted basket method and US the dollar was chosen as intervention currency. By this time a secondary exchange market (SEM) was allowed to grow parallel to the official exchange rate. This gave rise to a curb market.

At present, the system of exchange rate management in Bangladesh is to monitor the movement of the exchange rate of taka against a basket of currencies through a mechanism of real effective exchange rate (RFER) intended to be kept close to the equilibrium rate. The players in the foreign exchange market of Bangladesh are

the Bangladesh Bank, authorized dealers, and customers. The Bangladesh Bank is empowered by the Foreign Exchange Regulation Act of 1947 to regulate the foreign exchange regime. It, however, does not operate directly and instead, regularly watches activities in the market and intervenes, if necessary, through commercial banks. From time to time it issues guidelines for market participants in the light of the country's monetary policy stance, foreign exchange reserve position, balance of payments, and overall macro-economic situation. Guidelines are issued through a regularly updated Exchange Control Manual published by the Bangladesh Bank. The authorized dealers are the only resident entities in the foreign exchange market to transact and hold foreign exchange both at home and abroad. Bangladesh Bank issues licenses of authorized dealership in foreign currencies only to scheduled banks.

The amount of foreign exchange holdings by the authorized dealers are subject to open position limits prescribed by Bangladesh Bank, which itself purchases and sells dollars from and to the dealers on spot basis. The size of each such transaction with Bangladesh Bank is required to be in multiples of \$10,000, subject to a minimum of \$50,000. In addition to authorized dealers, there are registered moneychangers to buy foreign currencies from tourists and sell them to outgoing Bangladeshi travelers as per entitlement. Their excess holdings beyond the permitted balance are required to be retained with authorized dealers. Some service institutions like hotels and shops have also obtained limited money changing licenses to accept foreign currencies the foreign tourists, but those are to be sold to authorized dealers. Transactions by customers take place mainly to satisfy customer demand for individual needs and to facilitate export, import, and remittances.

The foreign exchange market of the country is confined to the city of Dhaka. The 32 scheduled banks operating as authorized dealers in the inter-bank foreign exchange market are not permitted to run a position beyond certain limits. In the event of speculation on an appreciation of the value, an authorized dealer may buy more foreign currencies than it needs, but at the end of the day it must maintain its limit by selling excess currencies either in the inter-bank market or to customers. Authorized dealers maintain clearing accounts with the Bangladesh Bank in dollar, pound sterling, mark and yen to settle their mutual claims. If there any excess foreign exchange holdings exist after these transactions, it is obligatory for them to sell it to the Bangladesh Bank. In case of shortfall of the limit, authorized dealers have to cover it either through purchase from the market or from the Bangladesh Bank.

Before deregulation of foreign exchange market the volume of inter-bank transaction was low. The assured access to funds from Bangladesh Bank at known cost as well as the assured buy-sell margins and transaction fees contained in the pre-determined exchange rate provided little inducement for authorized dealers to engage in inter-bank transactions. However, the situation has been changing and the reliance of authorized dealers on the Bangladesh Bank is gradually declining.

The average monthly transactions of the inter-bank market accounted for \$23.46 million in 1991-92 and crossed the \$1 billion mark in 1998-99. The average monthly turnover for the six months between July and December 2000 was \$1.5 billion.

The phenomenal growth of inter-bank transactions was due mainly to relaxation of exchange control regulations and expansion of the activities of the Bangladesh Foreign Exchange Dealers Association (BAFEDA) formed on 12 August 1993.

The-inter bank foreign exchange market of Bangladesh is still at its rudimentary stage. The market is an oligopolistic one and is dominated by a few relatively large banks, which have remained only as dealers instead of developing themselves into buyers or sellers. The most widely used practice is spot transaction; this covers 95% of the total transactions. Only forward transactions offer protection against foreign exchange risks. Deals in foreign exchange market are usually confirmed over telephone, followed by a written advice. Confirmed deals may be cancelled on payment of necessary costs.

There also exists a kerb market, where currency racketeers transact foreign currencies through a chain of middlemen. This market emerged in the restricted regime of foreign exchange transaction but continues to be active. This market operates in the alleys or lanes and by-lanes of Dhaka city around the foreign exchange branches of authorized banks. Dealers of hundi also form part of this market. A sizeable amount of foreign currencies is channeled through this market every year.

4.3 Foreign Exchange Rate In Bangladesh

Currency	TT Clean	BC Selling
USD	79.3600	79.4200
EUR	105.6837	105.7716
GBP	125.7380	125.8569
CHF	84.7926	87.7155

JPY	0.8947	0.8958
AUD	83.7248	83.8119
CAD	79.4076	79.4995
SEK	12.1757	12.1901

Table 10: Inter-bank exchange rates as on Jan 23, 2014

Source: Bangladesh Bank

4.4 Different Foreign Exchange Rate In Bangladesh:

i) APPROPRIATE EXCHANGE RATE:

The central bank may be in a better position to gather all the relevant information than the other participants in the market. Hence it can appropriately predict the future course of policies and their implications on the exchange rate.

ii) CONTROL OVER DISTORTIONS IN ECONOMIC ACTIVITIES:

Exchange rate which deviate from the real exchange rate (in relation to the purchasing power parity) may lead to distortion in resource allocation between external and domestic sectors.

Undervaluation leads to inflationary pressure whereas overvaluation leads to higher rates of unemployment.

iii) SMOOTHNESS ECONOMIC ADJUSTMENT PROCESS:

A persistent surplus or deficit in the balance of payments leads to changes in the exchange rate to correct the disequilibrium. These changes may result in disturbances in the domestic economic activities. Intervention can reduce such disturbances and their effects.

iv) OTHERS ARGUMENTS:

Managed flexibility facilitates economic growth due to proper flow of foreign trade. Higher economic growth increases employment and improves the standard of living of the people.

4.5 Foreign Exchange Rate Movements

	Average	End of the period
2008-09	68.80	69.06
2009-10	69.18	69.445
2010-11	71.17	74.15
2012-12	79.10	81.82
2013-13		
July3	81.77	81.70

Table 11: Exchange Rate Movements (Taka per US\$)

Source: Bangladesh Bank

4.6 Foreign Exchange History in Bangladesh

Up to 1990, multiple exchange rates were allowed under different names of export benefit schemes such as, Export Bonus Scheme, XPL, XPB, EFAS, IECS, and Home Remittances Scheme. This led to a wide divergence between the official rate and the SEM rate. The situation also gradually gave rise to a number of conflicting regulations, poor risk management, and various types of implicit or explicit government guarantees to the users of foreign exchange. This resulted in a number of macro-economic imbalances prompting the government to adjust the official rate in phases and to liquidate its difference with the rate at SEM. The two rates were finally unified in January 1992. The first step towards currency convertibility was taken on 17 July 1993 and this marked the beginning of a relatively open foreign exchange market in the country. Until then the Bangladesh Bank used to declare mid-rate along with the buying and selling rates for dollar applicable to authorized dealers. Initially the spread was BDT 0.10, which was gradually widened to BDT 0.30.

At present, the system of exchange rate management in Bangladesh is to monitor the movement of the exchange rate of taka against a basket of currencies through a mechanism of real effective exchange rate (RFER) intended to be kept close to the equilibrium rate. The players in the foreign exchange market of Bangladesh are the Bangladesh Bank, authorized dealers, and customers. The Bangladesh Bank is empowered by the Foreign Exchange Regulation Act of 1947 to regulate the foreign exchange regime. It, however, does not operate directly and instead, regularly watches

activities in the market and intervenes, if necessary, through commercial banks. From time to time it issues guidelines for market participants in the light of the country's monetary policy stance, foreign exchange reserve position, balance of payments, and overall macro-economic situation. Guidelines are issued through a regularly updated Exchange Control Manual published by the Bangladesh Bank.

4.7 Interbank Transaction in Foreign Exchange

The interbank market is the top-level foreign exchange market where banks exchange different currencies.^[1]The banks can either deal with one another directly, or through electronic brokering platforms. The Electronic Brokering Services (EBS) and Reuters Dealing 3000 Matching are the two competitors in the electronic brokering platform business and together connect over 1000 banks.

The interbank market is an important segment of the foreign exchange market. It is a wholesale market through which most currency transactions are channeled. It is mainly used for trading among bankers. The three main constituents of the interbank market are:

- the spot market
- the forward market
- SWIFT

4.8 Foreign Exchange Products in Bangladesh:

Bai: Buy & Sale

- Bai is defined to mean simultaneously 'purchase & sale' i.e. the exchange of a thing of value by another thing of value.
- The general rules for sale.
- The subjects of sale must be sale at the existing time of sale.
- The subject of sale must be in the ownership of the seller at the time of sale.
- The subject of sale must be in the physical or constructive possession of the seller exceptions only in case of Bai Salam and Istisna.
- Product: Murabaha Import.

Shirkat: Partnership:

- Shirkat means partnership for undertaking any lawful business
- There are two broad categories of partnership include: Mudaraba (capital trusts / silent or indirect partnership) & Musharaka (Equity Participation).
- product: Musharaka Import

Ijarah: Leasing

- It is an arrangement to lease equipments, buildings or other facilities to a client against an agreed rental.
- There are two broad categories of Ijarah: (1) Ijarah Muntahia Bil Tamelk (Hire purchase) (2) Ijarah WA Iqtina (Leasing)
- Product: Hire Purchase Under Shirkatul Melk (HPSM)

Foreign Exchange Operations of IFIC Bank



AND

Mercantile Bank Limited



4.9 Foreign Exchange Department of IFIC:

Foreign Exchange Department is international department of Bank. It deals globally. It facilitates international trade through its various modes of services. It bridge between importers and exporters. If the branch is authorized dealer in foreign exchange market, it can remit foreign exchange from local country to foreign country. This department mainly deals in foreign currency. This is why this department is called foreign exchange department

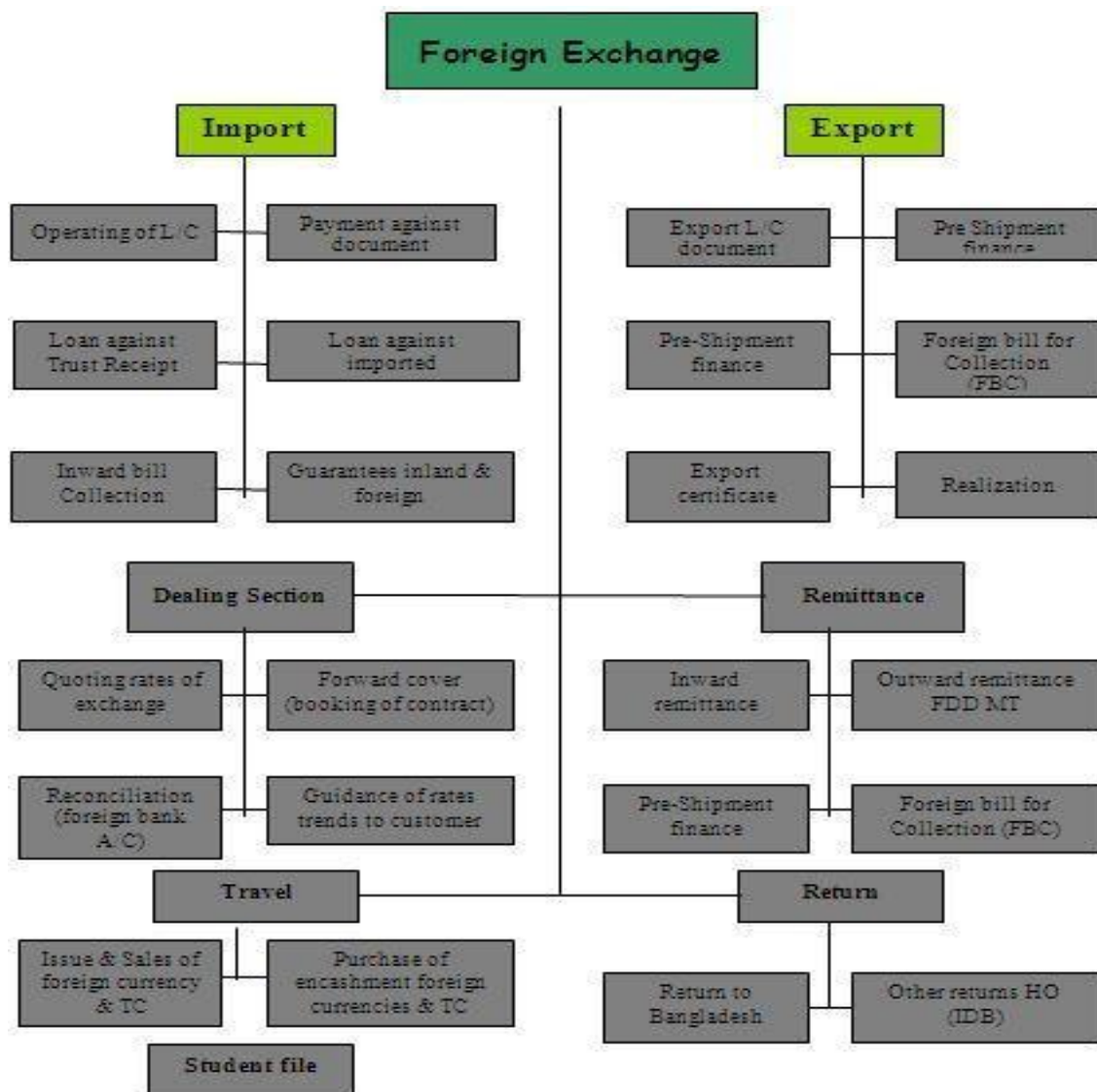


Figure 5: Foreign Exchange Department of IFIC

4.9.1 Functions of Foreign Exchange Department of IFIC:

The Bank actions as a media for the system of foreign exchange policy. For this reason, the employee who is related of the bank to foreign exchange, specially foreign business should have knowledge of these following functions :-

- 1) Rate of exchange.
- 2) How the rate of exchange works.
- 3) Forward and spot rate.
- 4) Methods of quoting exchange rate.
- 5) Premium and discount.
- 6) Risk of exchange rate.
- 7) Causes of exchange rate.
- 8) Exchange control.
- 9) Convertibility.
- 10) Exchange position.
- 11) Intervention money.
- 13) Foreign exchange transaction.
- 14) Foreign exchange trading.
- 15) Export and import letter of credit.
- 16) Non-commercial letter of trade.
- 17) Financing of foreign trade.
- 18) Nature and function of foreign exchange market.

4.10 Foreign Exchange Department of MBL:

Foreign Exchange Department is an international department of the bank. It deals with globally and facilitates international trade through its various modes of services. It bridges between importers and exporters. Bangladesh Bank issues license to scheduled banks to deal with foreign exchange. These banks are known as Authorized Dealers. If the branch

is authorized dealer in foreign exchange market, it can remit foreign exchange from local country to foreign country. This department mainly deals with foreign currency. This is why this department is called foreign exchange department.

Some national and international laws regulate functions of this department. Among these, Foreign Exchange Act, 1947 is for dealing in foreign exchange business, and Import and Export Control Act, 1950 is for Documentary Credits. Governments' Import and Export policy is another important factor for import and export of banks.

4.10.1 Functions of Foreign Exchange Department

Imports:

- Opening of letter of credit (L/C)
- Advance bills
- Bills for collection
- Import loan and guarantees

Export:

- Pre-shipment advances
- Purchase of foreign bills
- Negotiating of foreign bills
- Export guarantees
- Advising/confirming letters- letter of credit
- Advance for deferred payment exports
- Advance against bills for collection

Remittances:

- Issues of DD, MT, TT, etc.
- Payment of DD, MT, TT etc.
- Issues and enhancement of traveler's cheque
- Sale and enhancement foreign currency note
- Nonresident accounts

Dealings:

- Rate computation
- Maintenance of foreign currency account
- Forward contracts
- Exchange position and cover operations

Most Commonly Used Documents in Foreign Exchange

- Documentary letter of credit
- Bill of exchange
- Bill of Landing
- Commercial Invoice
- Certificate of origin of goods
- Inspection certificate
- Packing List
- Insurance certificate
- Pro-forma invoice/indent
- Master receipt
- GSP certificate

4.11 Import of IFIC

When goods and services are brought from the country for the fulfillment of the customer needs or their own needs is called import & who is involving in this procedure is called importer.

4.11.1 Advantages of importers:

a) **Ability:** The letter of credit enables the importer to purchase materials without making full advance payment.

b) **Assurance:** If the importer takes certain safe guards, like calling for packing list,

Invoice etc. The quality and quantity of the goods consigned is assured.

c) **Without payment:** Prided the buyer has buying credit with the prime bank he may get goods released by the bank under trust (e.s, LTR,LIM etc) i.e. without payment and pay for then on sale.

4.12 Import Procedure of IFIC :

Import section of any Bank deals with L/C opening and post import financing i.e. LIM & LTR. Now the procedure from opening L/C to disbursement against L/C is given below.

4.12.1 Definition of L/C:

On behalf of the importer if the Bank undertakes to make payment to the foreign bank is known as documentary credit or letter of credit

A letter of credit is an instrument issued by a bank to a customer placing at the letters disposal such agreed sums in foreign currency as stipulated. An importer is a country requests his bank to open a credit in foreign currency in favor of his exporter at a bank in the letters country. The letter of credit is issued against payment of amount by the importer or against satisfactory security.

A letter of credit (L/C) may be two forms. These as below:

i) Revocable letter of credit.

ii) Irrevocable letter of credit.

(i) Revocable L/C: If any letter of credit can be amendment or change of any clause or canceled by consent of the exporter and importer is known as revocable letter of credit.

A revocable letter of credit can be amended or canceled by the issuing bank at any time without prior notice to the beneficiary.

(ii) Irrevocable L/C: If any letter of credit can not be changed or amendment without the consent of the importer and exporter is known as irrevocable letter of credit.

Irrevocable credit constitutes a firm undertaking by the issuing bank to make payment. It therefore, gives the beneficiary a high degree of assurance that he will be paid for his goods or services provided he complies with terms of the credit.

4.12.2 Types of Letter of Credit:

Letters of Credit are classified into various types according to the method of settlement employed. All credits must clearly indicate in major categories.

- i) Sight payment credit.
- ii) Deferred payment credit.
- iii) Acceptance credit.
- IV) Negotiation credit.
- v) Red clause credit.
- VI) Revolving credit.
- vii) Stand by credit.
- viii) Transferable credit.

(i) Sight payment credit: The most commonly used credits are sight payment credits. These provide for payment to be made to the beneficiary immediately after presentation of the stipulated documents on the condition that the terms of the credit have been complied with.

(ii) Deferred payment credit: In terms of its economic effect a deferred payment credit is equivalent to an acceptance credit, except that there is no bill of exchange and therefore no possibility of obtaining money immediately through a discount transaction. In certain circumstances, however, the bank's payment undertaking can be used as collateral for an advance, though such an advance will normally only be available from the issuing or confirming bank. A discountable bill offers wider scope.

(iii) Acceptance Credit: With an acceptance credit payment is made in the form of a term bill of exchange drawn on the buyer, the issuing Bank or the presenting bank.

(iv) Red clause credit: In the case of a red clauses credit, the seller can obtain an advance for an agreed amount from the correspondent bank, goods that are going to be delivered under the documentary credit. On receiving the advances, the beneficiary must give a receipt and provide a written undertaking to present the required documents before the credit expires.

(v) Revolving Credit: Revolving credit can be used when goods are to be delivered in installment at specified intervals. The amount available at any one time is equivalent to the value of one partial delivery.

(vi) Negotiation credit: Negotiation means the purchase and sale of bill of exchange or other marketable instruments. A negotiation credit is a commercial letter of credit opened by the issuing bank in the currency of its own country and addressed directly to the beneficiary.

(vi) Stand by credit: Stand by credit is encountered principally in the US. Under the laws of most US states, banks are prohibited from issuing regular quarantines, so credits are used instead. In Europe, too the use of this type of credit is increasing by virtue of their documentary credit, stand-by credit are governed by the UCP. However, their function is that of a grantee.

The types of payment and performance that can be guaranteed by stand-by credits include the following:

- Payment of thorium bill of exchange
- Repayment of bank advance
- Payment of goods delivered.
- Delivery of goods in accordance wets contract and
- Execution of construction contracts, supply and install contracts.

(vii) Transferable credit: transferable credits are particularly well adapted to the requirements of international trade. A trader who receives payment from a buyer in the form of a transferable documentary credit can use that credit to pay his own supplier. This enables him to carry out the transaction with only a limited and lay of his own funds.

4.12.3 Procedure of the Opening the L/C:

The importer after receiving the Performa invoice from the exporter, by applying for the issue of a documentary credit, the importer request his Bank to make a promise of payment to the supplier. Obviously, the bank will only agree to this request if it can rely on reimbursement by the applicant.

The importer submits the following documents before opening of the L/C:

- a. Tax Identification Number (TIN)
- b. Valid Trade License.
- c. Import Registration Certificate (IRC)

The Bank will supply the following documents before opening of the L/C:

- a. LCA form.
- b. Application and Agreement form.
- c. IMP form
- d. Necessary charge documents for documentation.

The above documents / papers must be completed duly signed and filled in by the party according to the instruction of the banker.

Flow Chart of Letter of Credit

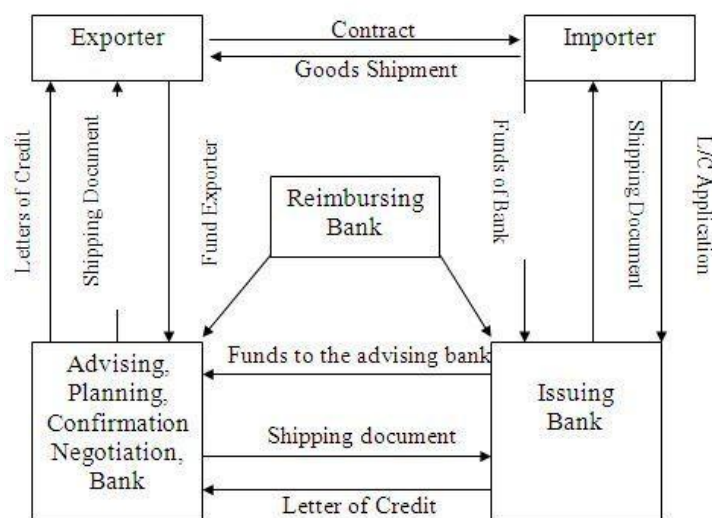


Figure 6: Flow Chart of L/C

4.12.4 Documentary Letter of Credit (Import/Export Documentation):

Documentary letter of credit is such kinds of commercial letter which a Bank issue on behalf of foreign seller (exporter) according to the direction of the (importers) purchasers. The documents shown under are known as export documents from the importer's side. These are:-

(i) Bill of exchange: The bill of exchange is that particular instrument through which payment is effected in trade deals internal and international. The payment for the goods is received by the seller through the medium of a bill of exchange drawn on the buyer for the amount depending on the contract. It is a negotiable instrument. There are five main parties involved in a bill of exchange. They are:-

- (a) Drawer
- (b) Drawee
- (c) Payee
- (d) Endorser
- (e) Endorsee

(ii) Bill of lading: A bill lading is a document of title to goods entitling the holder to receive the goods as beneficiary or endorsee and it is with the help of this document on receipt from the exporter that the importer takes possession of the goods from the carrying vessel at the port of destination.

(iii) Airway bill / Railway receipt: When goods to be transported are small in bulk or requiring speedy delivery or those are perishable in nature on the deal is in between the neighboring countries then mode of transports other than shipping may be resorted to for the carriage of the goods Airways bill / Railway receipt take place of Bill of lading depending on the nature of the carrier.

(iv) Commercial invoice: It is the seller's bill for the merchandise. It contains a description of goods, the price per unit at a particular location, total value of the goods, packing specifications, terms of sale, letter of credit, bill of lading number etc.

(v) Insurance policy: In the international trade insurance policy is a must to cover the risk of loss on consignments while they are on seas, roads, and airways. The insurance is

the responsibility of the buyers (consignee) under FAS, FOB and C&F contracts and of the seller (consignor) under CIF contract.

(vi) Certificate of origin: This is a certificate issued by a recognized authority in exporting country certifying the country of origin of the goods. It is usually by the Chambers of commerce.

(vii) Packing list : The exporter must prepare an accurate packing list showing item by item, the contents of the consignment to enable the receiver of the shipment to check the contents of the goods, number and marks of the package, quality, per package net weight, gross weight, measurement etc.

(viii) Wightman and Measurement: Issued by recognized authority (like chambers of commerce and industry) in exporting country certifying correct weightiest and measurement of the goods exported.

(ix) Bill of entry: A bill of entry is a document which contains the particulars of the imported goods as well as the amount of customs duty payable.

4.12.5 L/C Opening of IFIC:

Today IFIC is one of the leading and most successful Banking enterprises in the country. It plays a great role in the economy of the country. By export-import business the Bank play a great role to the economy of Bangladesh. IFIC is one of the greatest banks in export-import business.

Foreign trade plays a vital role in the economic advancement process of a nation. So the trend of country's foreign trade, i.e. import & export is of a great concern to the government of a country. Fluctuation in the parameters of foreign trade immediately brings about some impact on the total economy. As such the nature, trend and the volume of foreign trade are required to keep peace with the national economic needs and objective. There may be some areas where emphasis is to be given while there may be others which deserve restrictions or discouragement. Moreover the items of import & export value and volume of the same, the corresponding time period, sources of fund far

payment and receipt, all these factors are to be considered very carefully for making necessary adjustment to match with the national economic policies as well as achieve balanced economic growth through the Interpol icy and Interpol icy co-ordination.

4.12.6 Open an L/C by the Importer:

Now the importer will come to hisBank with a request to open an L/C along with the following documents / papers:-

- a) L/C application and agreement Form (Bank's prescribed application form) with adhesive stamp of Tk. 150 (Flexible) [From June 3rd 1998]
- b) Indent / Performa Invoice / Contract – 3 copies.
- c) Insurance cover note with premium paid receipt.
- d) IMP from one set duly signed by the importer.
- e) Any other documents if necessary.

The Authorized Official of the Authorized Dealer will check the L/C very carefully and signed the same jointly and forward the 1st and 2nd copy to their foreign correspondent situated at the nearest place of the exporter. Thus Bank is known as Advising Bank. On receipt of the L/C the Advising Bank after verification of the duplicate copy at their end.

4.13 ImportOf MBL

Import of goods into Bangladesh is regulated by the ministry of commerce and industry in terms of the Import and Export (Control) Act, 1950, with import policy orders issued by annually, and Import Registration Certificate (IRC) and Public Notices issued from time to time by the office of the Chief Controller of Import and Export (CCI & E). Through the process of import some vital but which are inadequate in our country products are imported to meet the local needs of the people. MBL also plays an important role of importing goods.

To obtain Import Registration Certificate (IRC) the following certificates are required:

- Trade License
- Income tax clearance certificate
- National certificate
- Banks solvency certificate
- Asset certificate
- Registration partnership deed (if any)
- Memorandum and article of association
- Certificate of incorporation (if any)
- Rent of the business premises

4.13.1 Requirements for Import:

To import through Mercantile Bank limited a customer/client requires-

- Bank account
- Import Registration Certificate (IRC)
- Taxpaying Identification Number (TIN)
- Pro-forma invoice/indent (PI)
- Membership certificate
- L/C application from duly attested
- Insurance cover note with money receipt

4.13.2 Source of Finance:

Import may be allowed under the following sources of finance:

- a) Cash-
 - Cash foreign exchange (balance of the foreign exchange reserve of Bangladesh Bank);
 - Foreign currency accounts maintained by Bangladeshi Nationals working/living abroad.
- b) External economic aid.
- c) Commodity exchange.

4.14 Export of IFIC

When good and services are brought from your country to other countries for the fulfillment of their customer needs their own needs is called export & who is involving in this procedure is called exporter.

4.14.1 Advantages of Exporter:

- a) **Undertaking:** A superior undertaking of the bank under the latter of credit assures the importer then when the documents are tendered as per the turns of the credit payment would be made to him.
- b) **Controlling:** The exporter is absolved of the botheration of knowing in details the exchanges control regulations of the importer country and is also increased to some extent against charges in such regulation.

4.15 Export of MBL

Export policies formulated by the Ministry of Commerce, GOB provide the overall guideline and incentives for promotion of exports in Bangladesh. Export policies also set out commodity-wise annual target. It has been decided to formulate these policies to cover a five-year period to make them contemporaneous with the five-year plans and to provide the policy regime.

The export-oriented private sector, through their representative bodies and chambers are consulted in the formulation of export policies and are also represented in the various export promotion bodies set up by the government.

4.15.1 Export Incentives

A. Financial Incentives:

- Restructuring of Export Credit Guarantee Scheme;
- Convertibility of Taka in current account;
- Exporters can deposit 40% of FOB value of their export earnings in own accounts in dollar and pound sterling;

- Export Development Fund;
- Expansion of export credit period from 180 days to 270 days;
- 50% tax rebate on export earnings Duty draw back;
- Bonded warehouse facilities to 100% export oriented firms;
- Duty free import of capital equipment for 100% export oriented firms;

B. General Incentives:

- National Export Trophy to successful exporters
- Training course on external trade
- Arrangement of international trade fairs, commodity-based exhibitions in the country and participation in foreign trade fairs.

4.15.2 Export Financing

Financing exports constitutes an important part of a bank's activities. Exporters require financial services at four different stages of their export operation. During each of these phases, exporters need different types of financial assistance depending on the nature of the export contract. MBL plays a vital role in performing such jobs and help the businessmen's to carry on their business operation the activities are –

- Pre-shipment credit
- Post-shipment credit

4.16 Definition of LIM:

Import Finance plays vital role in a country's foreign trade business. Import of goods and service are needed not only for export production but also to supply domestic industry with the necessary inputs which are not locally available or available at uneconomic cost and are needed for expansion and development.

Loan Against Imported Merchandise (LIM) is a facility provided by the Bank to the importers who are in shortage of fund to retire the import bills and thus to clear the goods from the post authority. In other works it may be referred as an advance against merchandise.

4.16.1 CASES OF LIM ACCOUNT

LIM Accounts may be created in the following two cases:-

- a) LIM Account on importer's request.
- b) Forced LIM Account.

a) LIM Account in importer's request

After lodgment of documents, the importers concerned to be intimated for early retirement of the documents by paying outstanding bill amount including other charge. If the importer is not in a position to retire the bill out of his own sources at that moment may request the bank to clear the goods by creating LIM Account.

The following charge documents have to execute by the importer:-

- 1) IDP Note (Demand Promissory note).
- 2) Letter of Arrangement.
- 3) Letter of Disbursement.
- 4) Letter of pledge.
- 5) Any other document of necessary.

4.17 Foreign Remittance Of IFIC

-Foreign remittance means purchase and sale of freely convertible foreign currencies as admissible -Foreign Exchange Regulations Act-1947 and -Guidelines For Foreign Exchange Transaction-VOL. 1 and 2 of the country. So we see that there are two types of Foreign Remittance:

4.17.1 Outward Foreign Remittance:

Remittances issued by IFIC, Main Branch to Foreign correspondents to fulfill its customers' needs are considered to be the Outward Foreign Remittances. The term -Outward Remittance include not only remittance i.e. sale of foreign currency by TT, MT, Drafts, Travelers cheques but also payment against imports into Bangladesh & Local

currency credited to Non-Resident Taka Accounts of Foreign banks or convertible Taka account. It comprises the followings:

- FDD Issued
- FTT Issued
- TC Issued
- Endorsement of foreign currencies in the passport
- Sale of foreign currencies

4.17.2 Inward Foreign Remittance:

Normally, Inward Foreign Remittance companies of all incoming foreign currencies. Remittances issued by the correspondent banks situated in the foreign countries and thereby drawn on IFIC, Main Branch are considered to be its Inward Foreign Remittances.

Followings are the Inward Foreign Remittances of IFIC, Main Branch.

- FDD Payable
- FTT payable
- TC Payable
- Encashment of foreign currencies endorsed in the passport.
- Purchase of foreign currencies.

Telegraphic Transfer (TT):

Telegraphic Transfer refers to the payment instruction by tested telex/cable or authenticated fax by bank in abroad on an inland bank (local/foreign bank).

Foreign Demand Draft (FDD):

The foreign bank/exchange company on local bank usually issues Foreign Demand Draft. It is an order to pay a certain sum to a certain person or as his instruction, issued by the bank on its overseas branch or on its correspondent bank.

Encashment of FDD may take place in two ways-

- Purchase,
- Sending for collection.

4.18 Foreign Remittance Of MBL

4.18.1 Foreign Currency (FC) Accounts:

Convertibility of Taka in current account transactions symbolized a turning point in the country's exchange management and exchange rate system. Now the operation of foreign currency account has been more liberalized. Funds from this A/Cs are freely remittable to any country according to the needs of A/C holders. MBL provides the service of foreign remittance through foreign currency accounts to the clients.

Types of Account:

- a) FC Account
- b) Resident Foreign Currency Deposit Account
- c) Non-resident Foreign Currency Deposit Account

4.18.2 Currency in which FC A/Cs can be opened:

FC Accounts can be opened either in

- a) Pound sterling
- b) Us dollar
- c) Euro
- d) Japanese Yen

4.18.3 Papers/Documents required for opening FC A/C:

a) For Bangladesh Wage Earners:

- Photocopy of 1st seven pages of valid passport and visa page.
- Photocopy of employment contract/appointment letter/work permit.
- Two copies of passport size photograph of each account holder and nominee duly attested.

b) For Foreign National Company/Firm:

- Two copies of photograph of account holder for individual operations of other account holder.
- Copies of relevant pages of passport for individual and operators of other account holder.
- Copies of service contract/ work permit, if any for individual.
- Copies of registration in Bangladesh with Board of investment/ Bangladesh Bank for foreign/ joint venture firm.
- Copies of the memorandum and articles of association/ Laws/ Bye Laws, etc. on joint venture agreement for joint venture co.

4.18.4 Outward Remittance:

The term –Outward remittances| include not only remittance i.e. sale of foreign currency by TT, MT, Drafts, Travelers cheque but also includes payment against imports into Bangladesh & Local currency credited to Non-resident Taka Accounts of Foreign Banks or convertible Taka Account.

Two forms are used for Outward Remittance of foreign Currency such as:-

IMP Form: All outward remittance on account of imports is done by form IMP.

T.M. Form: For all other outward remittances T.M. form is used.

1. Private Remittance:

- Family remittance facility
- Remittance of Membership fees/registration fees etc.
- Education
- Remittance of Consular Fees
- Remittance of evaluation fee
- Travel
- Health & Medical
- Seminars & workshops

- Foreign Nationals
- Remittance for Hajji
- Other private Remittance

2. Official& Business Travel:

- Official Visit
- Business Travel Quota for New Exporters
- Business Travel Quota for Importers and Non-exporting producers
- Exporter's Retention Quota

3. Commercial Remittances:

- Opening of branches or subsidiary companies abroad
- Remittance by shipping companies airlines & courier service
- Remittance of Royalty and technical fees
- Remittance on account of training & consultancy
- Remittances of profits of foreign firms/branches
- Remittance of Dividend
- Subscriptions to foreign media services
- Costs for Reuter monitors
- Advertisement of Bangladeshi Products in mass media abroad
- Bank Charges

Chapter 5

Reporting on Foreign exchange operation in sample banks

5.1 Comparative Statistical Analysis

A. Total Foreign Exchange:

BDT in Million

Particulars	2012	2013	2014	2015	2016
IFIC Bank	168087	179162	183791	193982	201453
MBL	183741	210704	184791	203651	213941
Bank	254407	270082	268653	284985	304385

Table-12: Total foreign exchange of IFIC and MBL Bank

BDT in Million

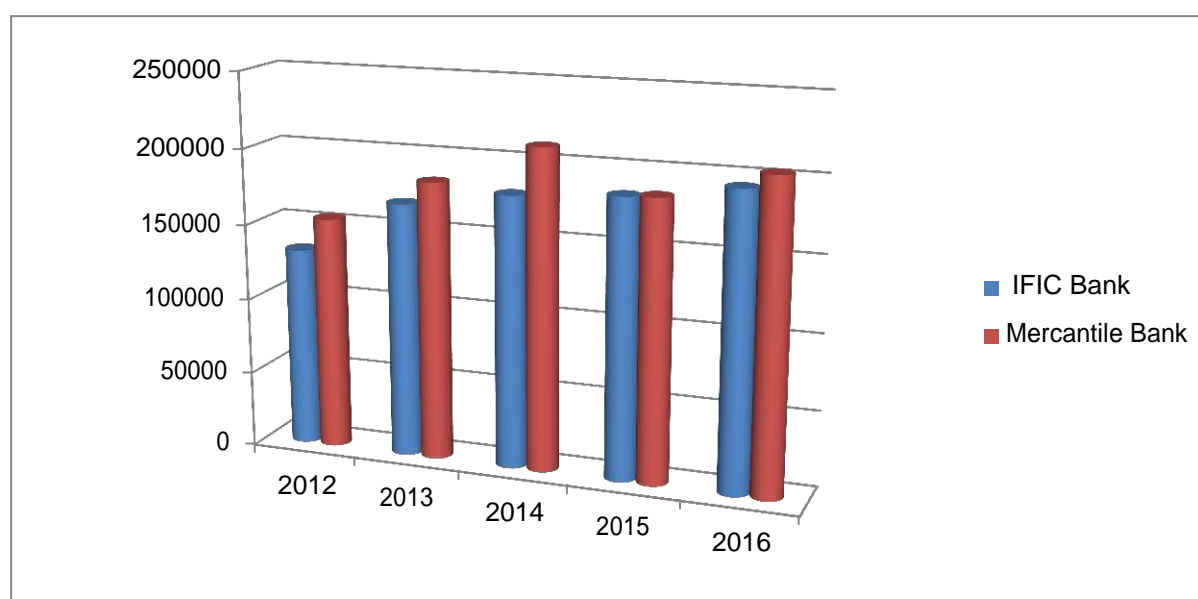


Figure-7: Total foreign exchange of IFIC and MBL Bank

Interpretation

The above graphical presentation shows 2012 to 2016 comparison of overall foreign exchange business. As we see that above trend we can see that Bank is in better position compare to IFIC Bank and Mercantile Bank. IFIC Bank's total Foreign Exchange Business is lower than the Mercantile Bank. Though both of Mercantile Bank and IFIC Bank performance are upward trading.

B. Import:

BDT in Million

Particulars	2012	2013	2014	2015	2016
IFIC Bank	71517	80710	84899	85326	87134
MBL	95008	113434	100686	107090	118493
Bank	128446	143314	135410	146796	138986

Table-13: Import of IFIC and MBL Bank

BDT in Million

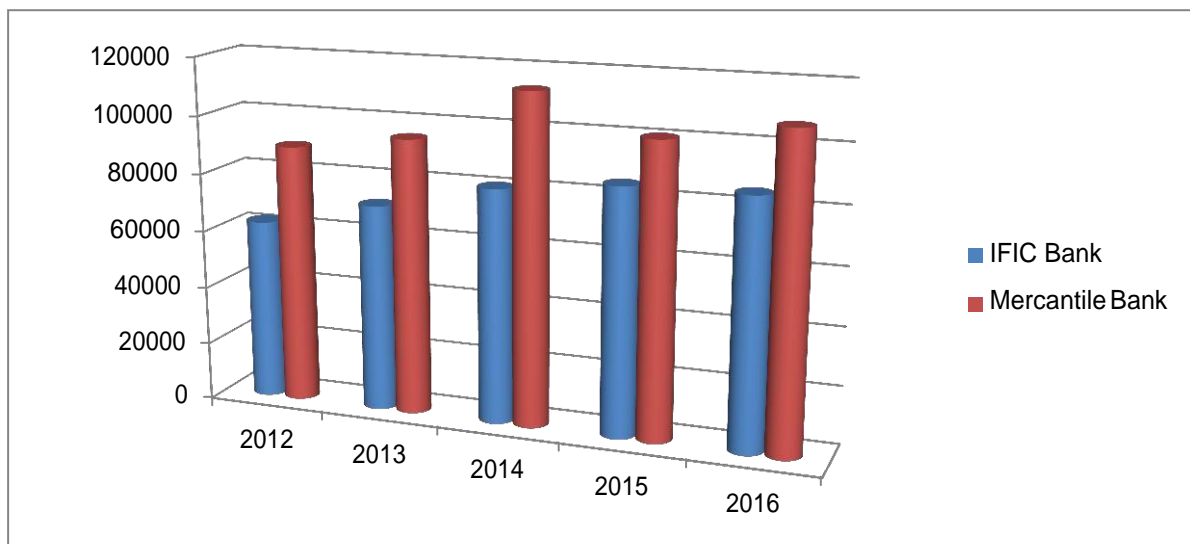


Figure-08: Import of IFIC and MBL Bank

Interpretation

From the above graph, we can see 2012 to 2016 Banks Import. In 2015 Bank Import position is much higher than the IFIC and Mercantile Bank. IFIC Bank and Mercantile Bank Import business needs to fill up this gap by allowing Back to Back L/Cs.

C. Export:

BDT in Million

Particulars	2012	2013	2014	2015	2016
IFIC Bank	83846	84147	83118	89894	93845
MBL	81312	81477	71672	78353	84534
Bank	122217	120997	130353	134412	13851

Table-14: Export of IFIC and MBL Bank

BDT in Million

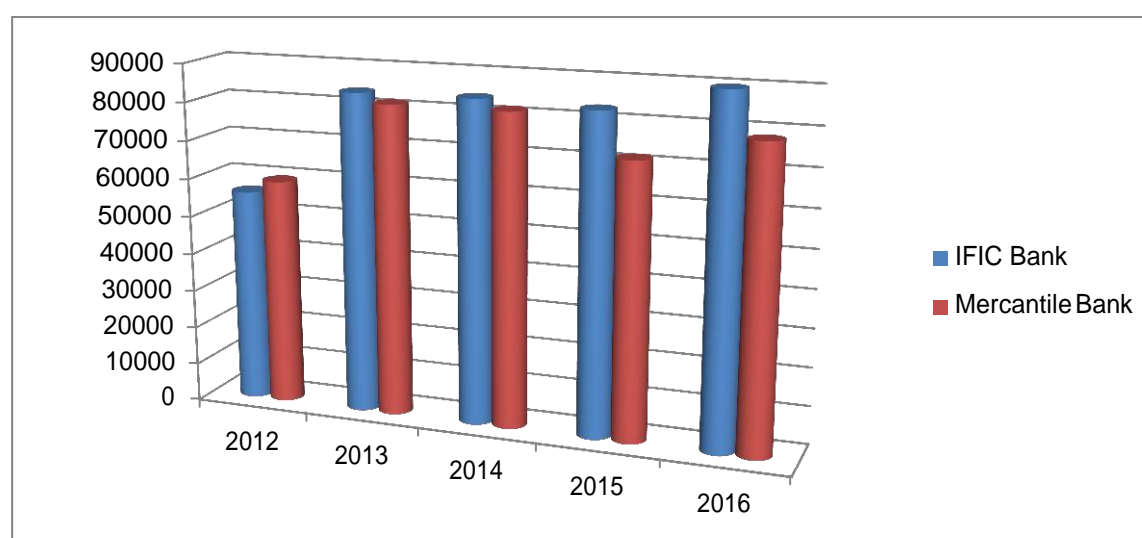


Figure-09: Export of IFIC and MBL Bank

Interpretation

The above graphical presentation shows 2012 to 2016 comparison of export business among IFIC Bank, Mercantile Bank and Bank. As we see the above trend we can say that Bank is in better position than both of IFIC Bank and Mercantile Bank. IFIC Bank and Mercantile Bank need to accelerate the Export process to enhance foreign trade & foreign income for Bangladesh economy.

D. Remittance:

BDT in Million

Particulars	2012	2013	2014	2015	2016
IFIC Bank	12724	14305	15774	18762	19324
MBL	7150	15793	12435	18209	18843
Bank	3744	5770	2889	3777	4824

Table-15: Remittance of IFIC and MBL Bank

BDT in Million

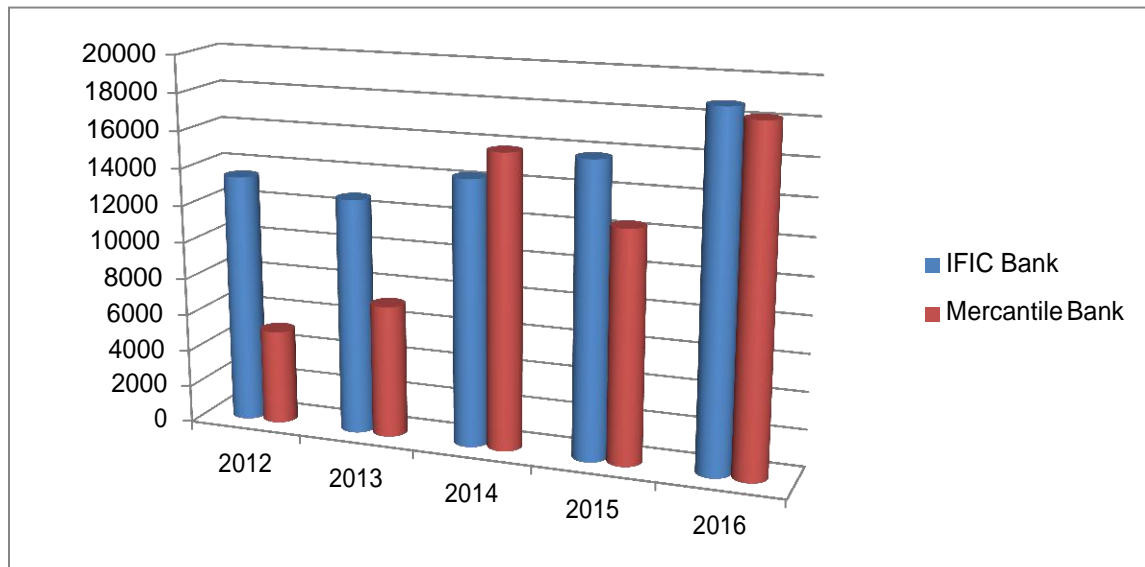


Figure-10: Remittance of IFIC and MBL Bank

Interpretation

From the above trend we can see 2012 to 2016 remittance sector. In 2016 IFIC Bank and Mercantile Bank are in the same position. On the other hand Bank position is very low in the trend in 2015. So Bank should more concentrate of this sector.

E. Return on Asset

BDT In Million

Particulars	2012	2013	2014	2015	2016
IFIC Bank	.0093	.0107	.0109	.0107	.0149
MBL	.017	.0103	.0133	.0076	.0183
Bank	.0165	.0145	.0106	.0116	.0154

Table-16: Return on Asset of IFIC and MBL Bank

BDT In Million

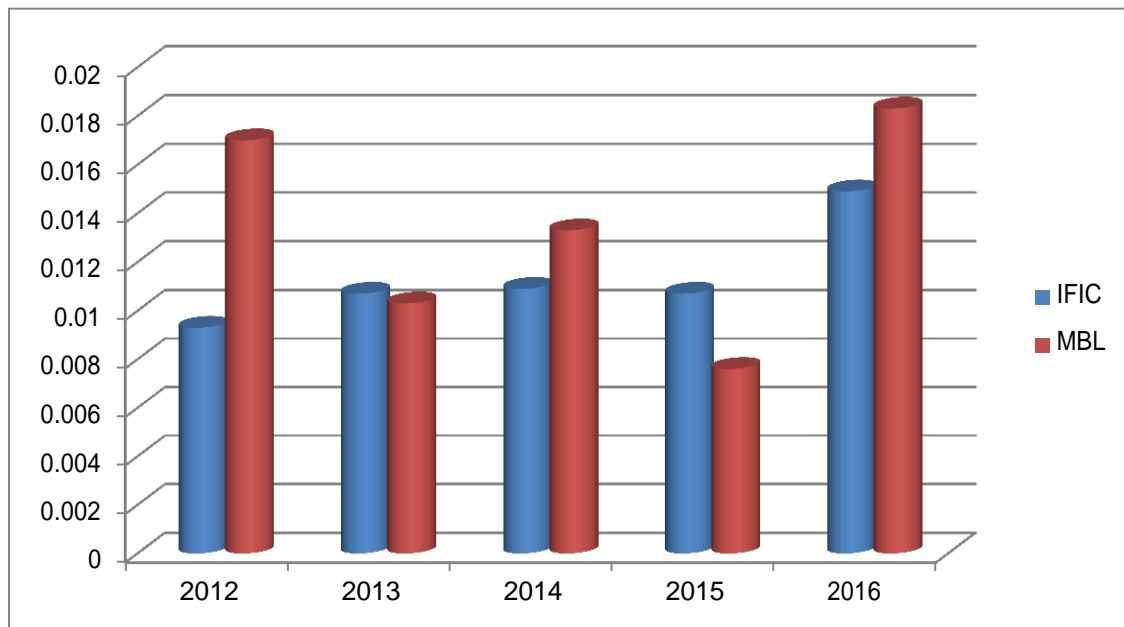


Figure-11: Return on Asset of IFIC and MBL Bank

Interpretation

Its measure overall effectiveness in generating profits with available assets; earning power of invested capital. As we see on the above graph of return on asset from 2010 to 2015. In 2015 Bank has slightly higher ROA ratio than IFIC Bank. So it is good for the both IFIC Bank and Bank. But for Mercantile Bank it is not good because it's ROA ratio is decreasing than previous year.

F. Return on Equity

BDT In Million

Particulars	2012	2013	2014	2015	2016
IFIC Bank	.1215	.1543	.1598	.1567	.1512
MBL	.2059	.1342	.1684	.0911	.1183
Bank	.1491	.1386	.1027	.1135	.1222

Table-17: Return on Equity of IFIC and MBL Bank

BDT In Million

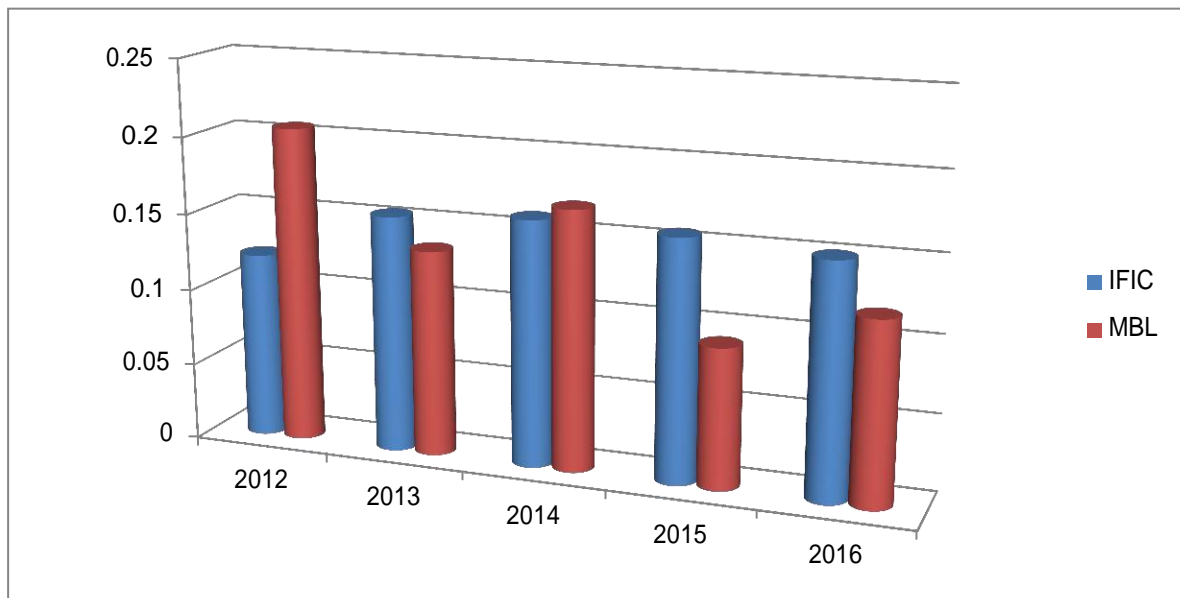


Figure-12: Return on Equity of IFIC and MBL Bank

Interpretation

As we see the above graph of return on equity from 2012 to 2016. In 2016 IFIC Bank ratio is much higher than the Mercantile Bank and Bank. So IFIC Bank is getting good return from investing their shareholders fund compare to Mercantile Bank and Bank.

G. Net profit

BDT in Million

Particulars	2012	2013	2014	2015	2016
IFIC Bank	1145	1134	1371	1765	1057
MBL	1734	1381	1979	1189	1393
Bank	2009	2158	1913	2481	2193

Table-18: Net Profit of IFIC and MBL Bank

BDT in Million

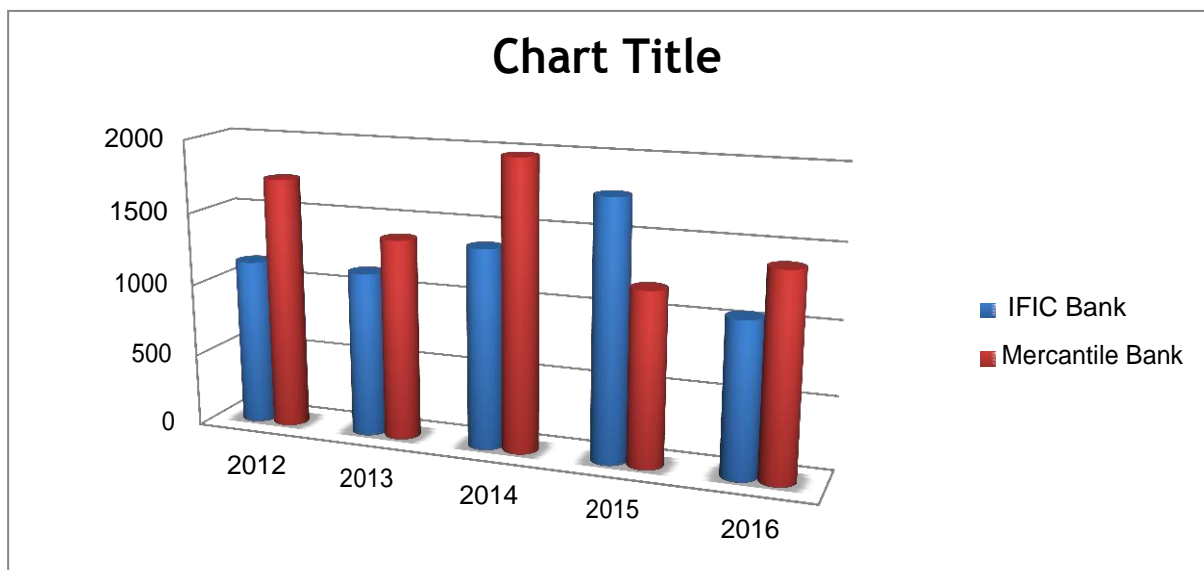


Figure-13 Net Profit of IFIC and MBL Bank

Interpretation

As we see the above graph of net profit from 2012 to 2016. In 2016 Bank is much higher than the Mercantile Bank and IFIC Bank. So Bank is getting good profit from investing their shareholders fund compare to Mercantile Bank and IFIC Bank.

H. Investment

BDT in

Million

Particulars	2012	2013	2014	2015	2016
IFIC Bank	12371	15370	21170	22845	28491
MBL	24645	41314	30091	32184	33829
Bank	99699	118219	143847	177936	196311

Table-19: Investment of IFIC and MBL Bank

BDT in Million

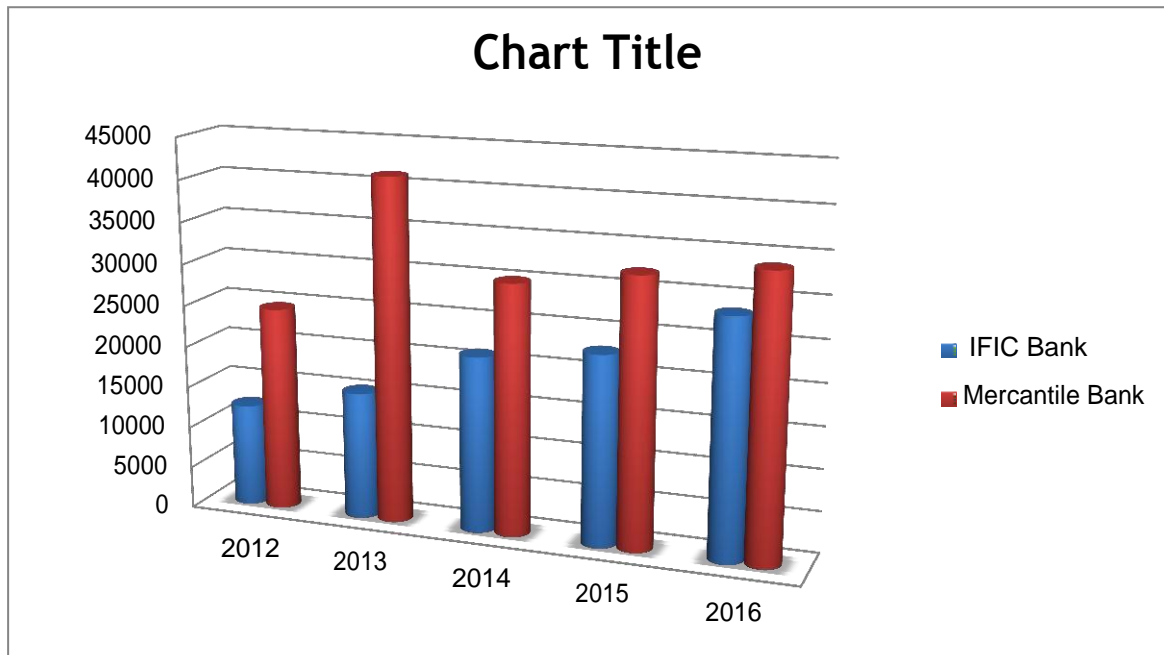


Figure-14: Investment of IFIC and MBL Ba

Interpretation

As we see the above graph of investment from 2012 to 2016. In 2016 Bank is much higher than the Mercantile Bank and IFIC Bank. So Bank is getting good feedback from investing their shareholders fund compare to Mercantile Bank and IFIC Bank.

5.2 Comparative Ratio Analysis

A. Profitability Ratios:

1. Gross Profit Ratio:

A measure of how well a company controls its costs. It is calculated by dividing a company's profit by its revenues and expressing the result as a percentage. Investors use the gross profit ratio to compare companies in the same industry and well as in different industries to determine what are the most profitable.

Formula:

Particulars	2012	2013	2014	2015	2016
IFIC Bank	54.55%	44.72%	43.46%	47.39%	44.25%
MBL	37.54%	32.26%	34.72%	37.90%	34.72%
Bank	37.84%	36.95%	32.00%	37.72%	42.92%

Table-20: Gross profit ratio of IFIC and MBL Bank

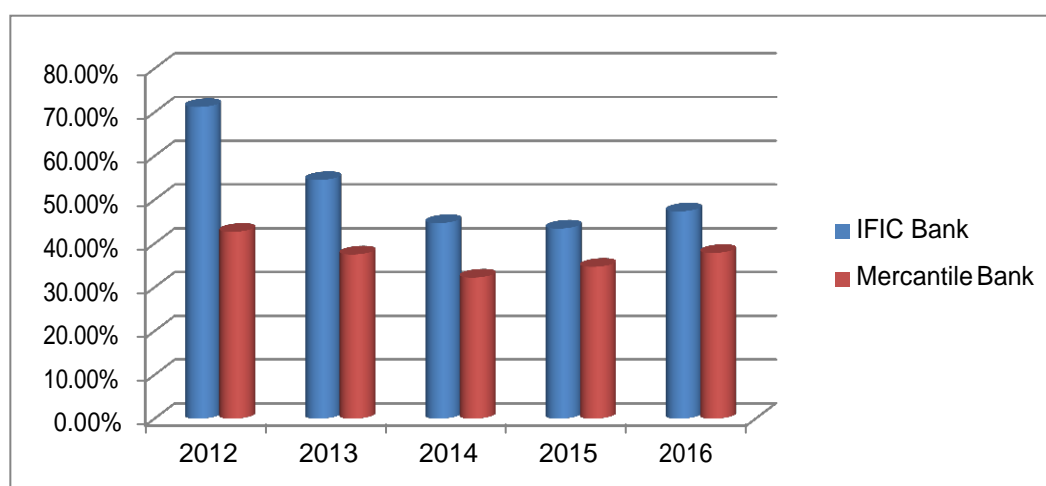


Figure-15: Gross profit ratio of IFIC and MBL Bank

Interpretation

As we see the above graph, gross profit ratio margin from 2012 to 2016. In 2016 IFIC Bank has a high ratio compare to Mercantile bank and Bank. So we can say that IFIC Bank generate good returns from it sales compare to Mercantile Bank and Bank.

2. Return on Equity:

Return on equity (ROE) measures the rate of return for ownership interest of common stock owners. It measures the efficiency of a firm at generating profits from each unit of shareholder equity, also known as net assets or assets minus liabilities. ROE shows how well a company uses investments to generate earnings growth.

Formula:

Particulars	2012	2013	2014	2015	2016
IFIC Bank	12.15%	15.43%	15.98%	15.67%	15.12%
MBL	20.59%	13.42%	16.84%	9.11%	11.83%
Bank	14.91%	13.86%	10.27%	11.35%	12.22%

Table-21: Return on Equity of IFIC and MBL Bank

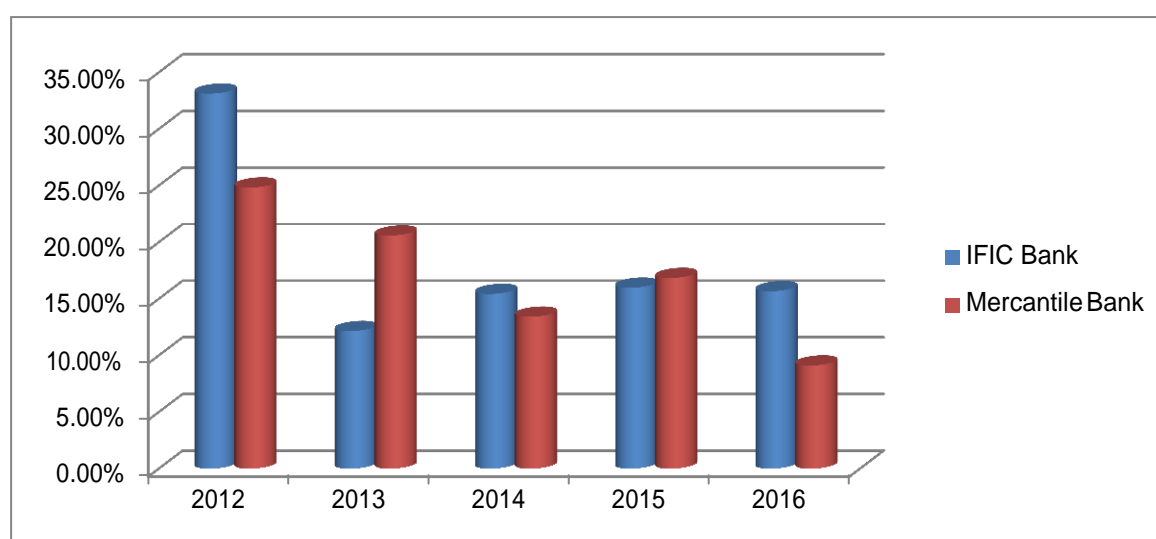


Figure-16: Return on Equity of IFIC and MBLBank

Interpretation

As we see the above graph of return on equity from 2012 to 2016. In 2016 IFIC Bank ratio is much higher than the Mercantile Bank and Bank. So IFIC Bank is getting good return from investing their shareholders fund compare to Mercantile Bank and Bank.

3. Return on Assets:

The return on assets shows the percentage of how profitable a company's assets are in generating revenue. It gives an indication of the capital intensity of the company, which will depend on the industry; companies that require large initial investments will generally have lower return on assets.

Formula:

Particulars	2012	2013	2014	2015	2016
IFIC Bank	0.93%	1.07%	1.09%	1.07%	1.49%
MBL	1.70%	1.03%	1.33%	0.76%	1.86%
Bank	1.65%	1.45%	1.06%	1.16%	1.54%

Table-22: Return on asset of IFIC and MBL Bank

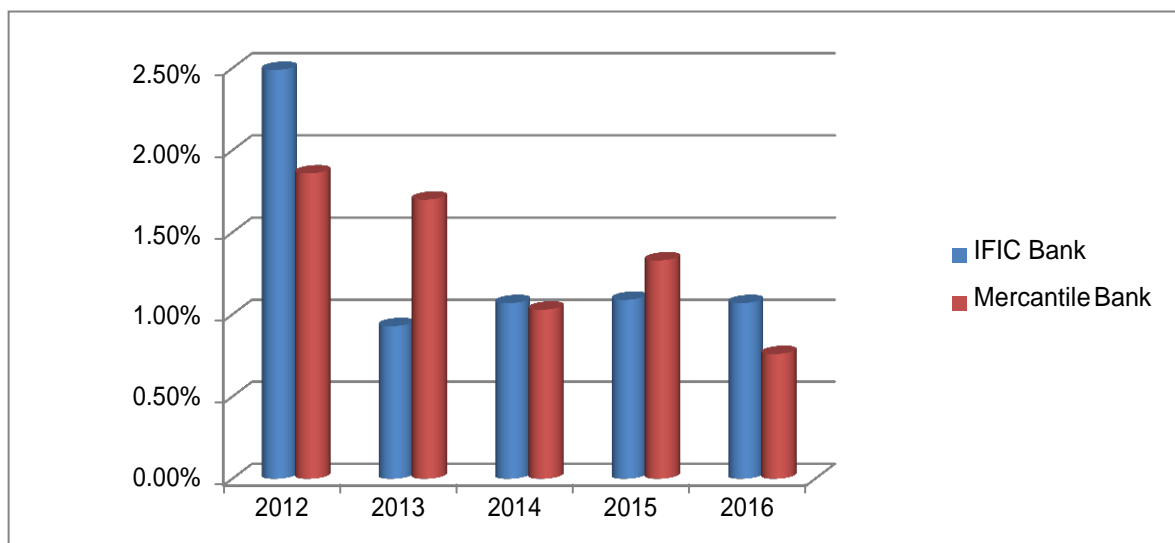


Figure-17: Ret Return on asset of IFIC and MBLBank

Interpretation

Its measure overall effectiveness in generating profits with available assets; earning power of invested capital. As we see on the above graph of return on asset from 2010 to 2015. In 2015 Bank has slightly higher ROA ratio than IFIC Bank. So it is good for the both IFIC Bank and Bank. But for Mercantile Bank it is not good because it's ROA ratio is decreasing than previous year.

4. Net Profit Margin Ratio:

Net profit margin is an indicator of a company pricing strategies and how well it controls costs. Differences in competitive strategy and product mix cause the profit margin to vary among different companies.

Formula:

Particulars	2012	2013	2014	2015	2016
IFIC Bank	7.38%	8.24%	9.27%	9.93%	10.24%
MBL	13.50%	8.86%	10.95%	6.48%	8.68%
Bank	13.35%	11.09%	8.42%	9.96%	12.32

Table-23: Net profit margin ratio of IFIC and MBLBank

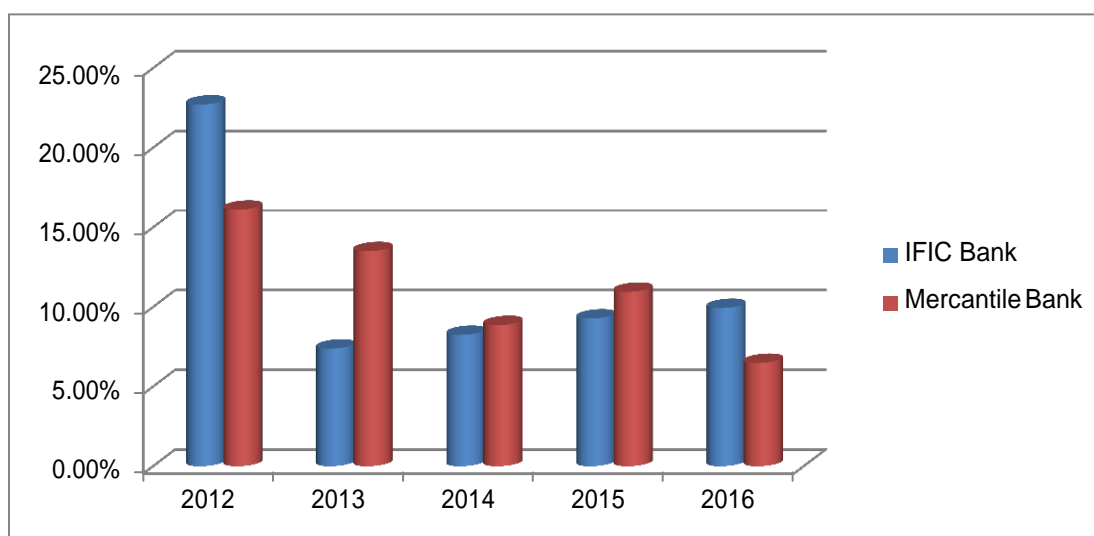


Figure 18: Net profit margin ratio of IFIC and MBL Bank

Interpretation

From the above graph we can see 2012 to 2016 net profit margin ratio. In 2016 profit margin ratio of IFIC Bank and Bank is similar but Mercantile Bank is lower. A low profit margin indicates a low margin of safety; higher risk that decline in sales will erase profits and result in a net loss, or a negative margin.

B. Leverage Ratios

1. Debt to Equity Ratio:

The debt-to-equity ratio (D/E) is a financial ratio indicating the relative proportion of shareholder's equity and debt used to finance a company's assets. Closely related to leveraging, the ratio is also known as Risk, Gearing or Leverage.

Formula:

Particulars	2012	2013	2014	2015	2016
IFIC Bank	11.52%	16.01%	25.92%	31.20%	36.57%
MBL	11.07%	12.97%	10.52%	11.46%	12.13%
Bank	7.97%	9.04%	8.48%	9.06%	6.06%

Table-24: Debt to equity ratio of IFIC and MBL Bank

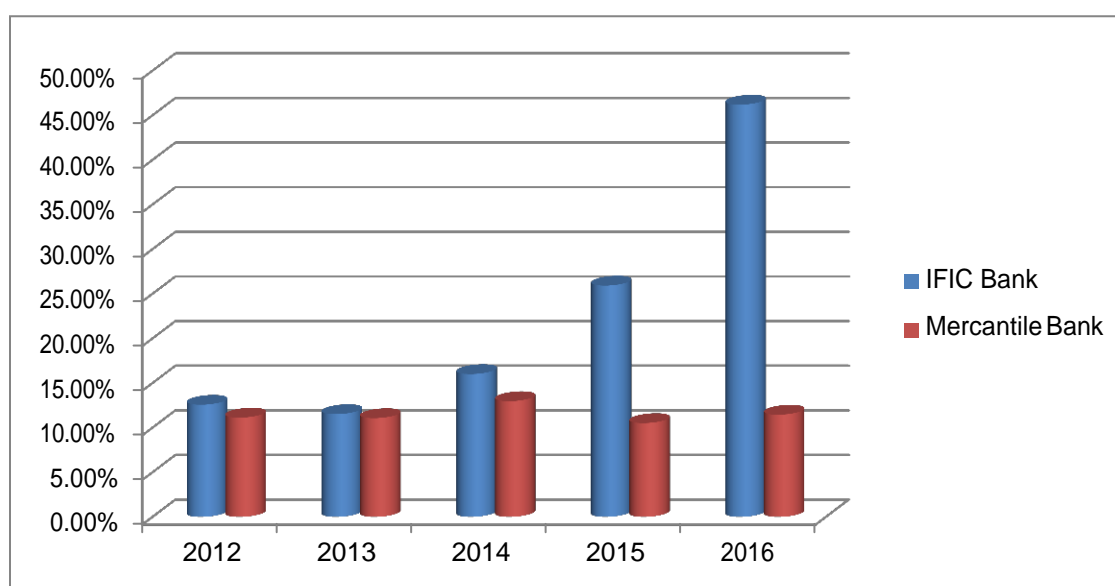


Figure-19: Debt to equity ratio of IFIC and MBLBank

Interpretation

As we see from the above graph 2012 to 2016 debt to equity ratio. In 2016 IFIC Bank has much higher ratio compare to Mercantile Bank and Bank. A high ratio of IFIC Bank indicates that the Bank is much resourced with borrowing as compared to funding from shareholders. So Mercantile Bank and Bank need to be more concentrate on this ratio.

2. Debt to Total Assets:

Debt to total assets is a financial ratio that indicates the percentage of a company's assets that are provided via debt. It is the ratio of total debt and total assets.

Formula:

Particulars	2012	2013	2014	2015	2016
IFIC Bank	92.79%	93.24%	93.08%	93.20%	99.74%
MBL	91.71%	92.84%	91.32%	91.98%	91.75%
Bank	88.85%	90.04%	89.45%	90.06%	88.97%

Table-25: Debt to total asset of IFIC and MBLBank

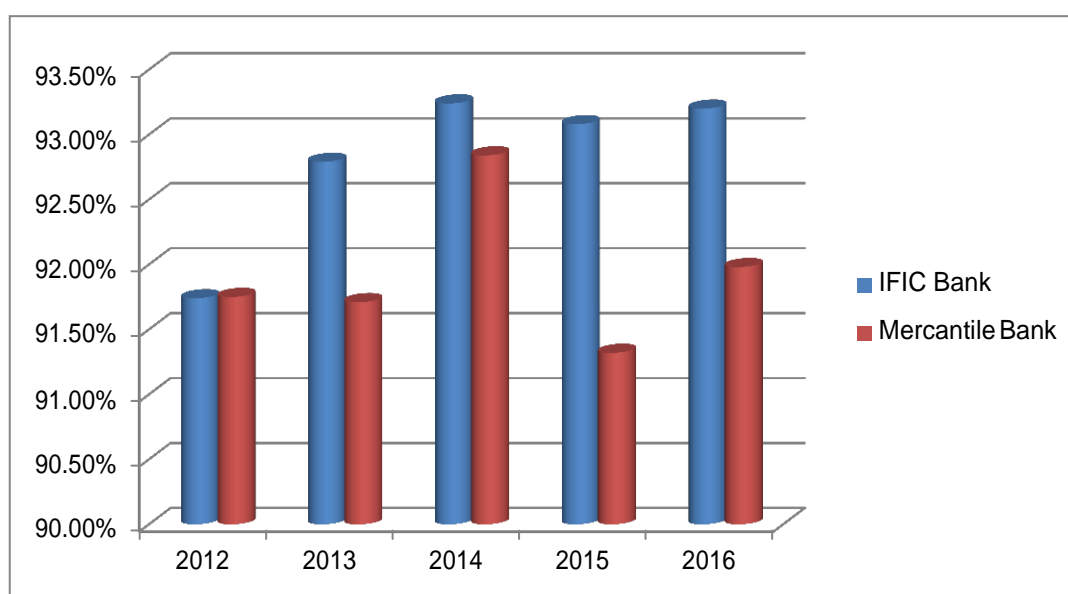


Figure-20: Debt to total asset of IFIC and MBLBank

Interpretation

From the above graph we can see 2012 to 2016 debt to total asset. In 2016 three banks ratio is higher than 50% that means Banks assets are financed through debt. Bank position is better compare to Mercantile Bank and IFIC Bank. Because the lower the ratio the less risk will be associated with firm's operation.

3. Financial Leverage Ratio:

The financial leverage ratio is a measure of how much assets a company holds relative to its equity. A high financial leverage ratio means that the company is using debt and other liabilities to finance its assets – and, everything else being equal, is more riskier than a company with lower leverage.

Formula:

Particulars	2012	2013	2014	2015	2016
IFIC Bank	13.94	14.80	14.51	14.71	15.11
MBL	12.07	13.97	11.52	12.46	13.91
Bank	8.97	10.04	9.48	10.06	10.88

Table-26: Financial leverage ratio of IFIC and MBLBank

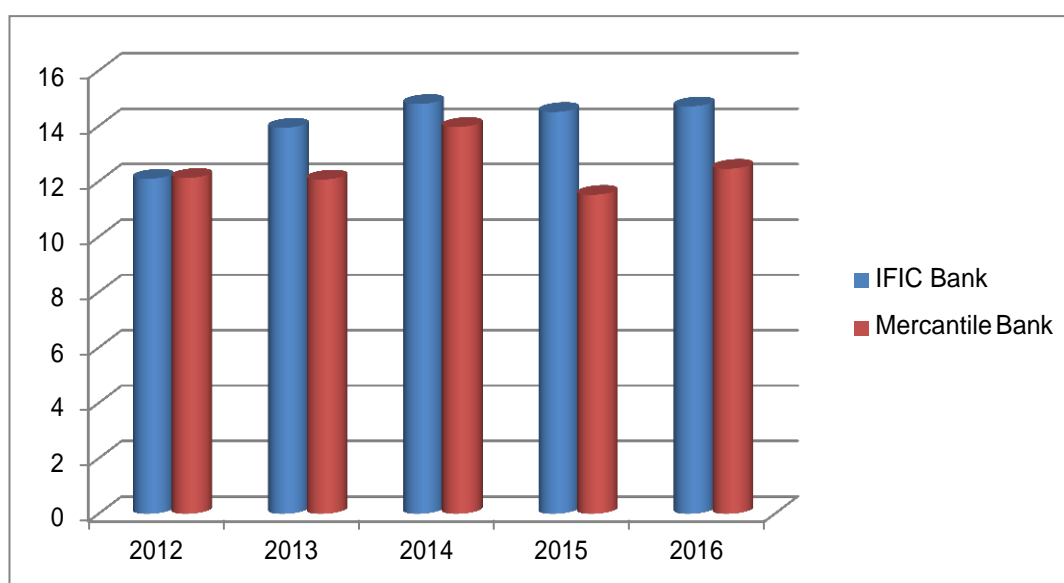


Figure-21: Financial leverage ratio of IFIC and MBL Ba

Interpretation

Financial leverage is better for the Bank when its ratio is low. From the above graph we can see 2012 to 2016 financial leverage. In 2016 Bank has low ratio compare to IFIC Bank and Mercantile Bank which is better for the Bank.

C. Activity Ratio

1. Total Asset Turnover:

A financial ratio that indicates the effectiveness with which a firm's management uses its assets to generate sales. A relatively high ratio tends to reflect intensive use of assets. Total asset turnover is calculated by dividing the firm's annual sales by its total assets. Sales are listed on the firm's income statement and assets are listed on its balance sheet.

Formula:

Particulars	2012	2013	2014	2015	2016
IFIC Bank	10.57%	11.69%	10.99%	9.96%	10.44%
MBL	11.02%	10.21%	12.48%	10.88%	11.32%
Bank	11.59%	11.65%	11.63%	10.72%	10.92%

Table-27: Total asset turnover of IFIC and MBL Bank

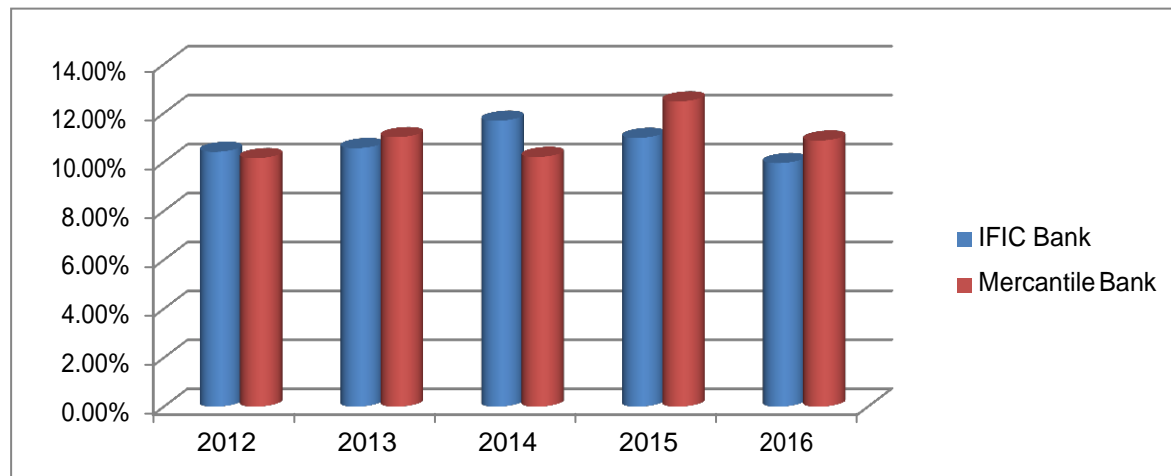


Figure-22: Total asset turnover of IFIC and MBL Bank

Interpretation

A high ratio indicates the Bank is using its assets efficiently to increase sales. From the above graph we can see 2012 to 2016 total asset turnover. In 2016 Mercantile Bank has high ratio compare to IFIC Bank and Bank. So Mercantile Bank using its assets efficiently to increase sales.

2. Fixed Asset Turnover:

Fixed asset turnover is the ratio of sales to the value of fixed assets. It indicates how well the business is using its fixed assets to generate sales.

Formula:

Particulars	2012	2013	2014	2015	2016
IFIC Bank	4.39	5.72	6.09	5.31	4.6
MBL	4.74	5.34	5.83	5.73	6.32
Bank	32.17	44.94	7.14	7.53	6.87

Table-28: Fixed asset turnover of IFIC and MBL Bank

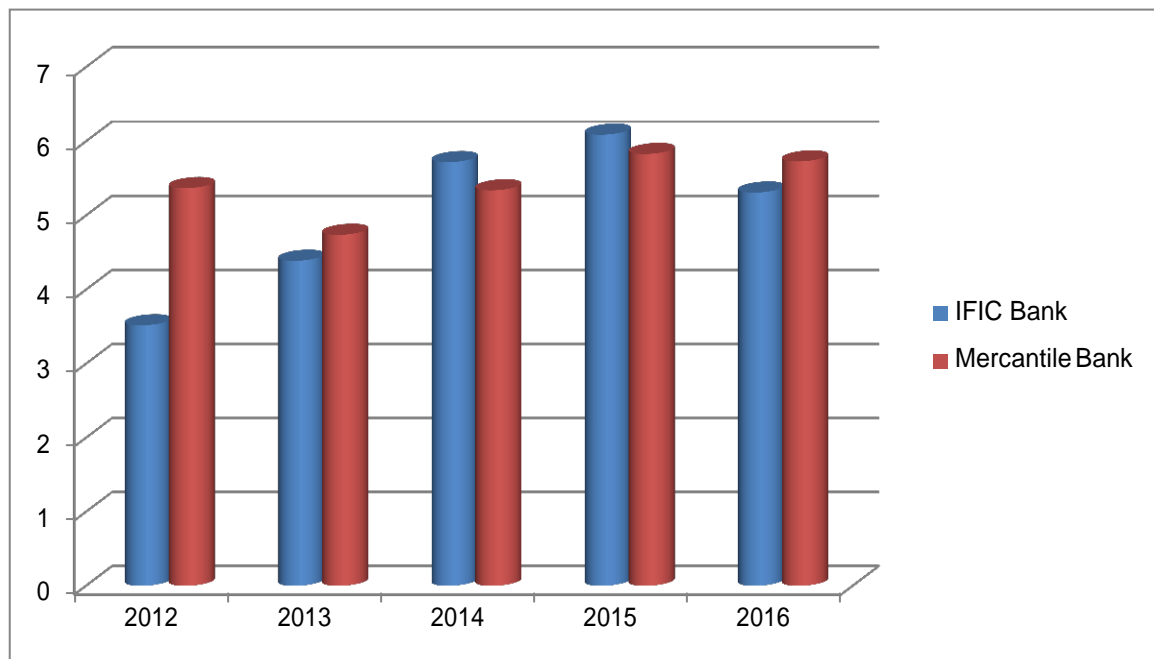


Figure-23: Fixed asset turnover of IFIC and MBL Bank

5.3 Comparative “SWOT” Analysis

The Following SWOT Analysis might need to be focused by IFIC Bank, Mercantile Bank and Bank:

Factors	IFIC Bank	Mercantile Bank	Bank
Strengths	1. Superior Quality 2. Dynamism 3. Financial strength 4. Efficient Management 5. State of the Art Technology 6. Experts 7. In-House Utility	1. Do all the activities through Online. 2. Large number of customers. 3. Not engaged in unfair business practice. 4. Location of the branches. 5. Alternative credit and deposit schemes than competitive markets.	1. Top Management 2. Reputation of 3. Positioning of Bank 4. Financial stability 5. Global Corporate Culture
Weaknesses	1. Limited Workforce 2. Problem in Delivery	1. Location of ATM's. 2. Investment so poor than other investment. 3. Do not have any strong advertisement. 4. Growth is slower than other competitive banks. 5. Lack of advance technology utilization in all aspects.	1. Advertising and promotion 2. Geographical Coverage 3. Disguised of Employment 4. Limitation of IT system 5. Law

			Remuneration Package
Opportunities	1. Government Support 2. Evaluation of E-Banking	1. Increase investment in remittance business. 2. Can adopt high technology based inter-branch networking system. 3. By hiring efficient employees may ensure services. 4. Take incentives to provide high quality service.	1. Retail Banking 2. First Direct Banking 3. Marketing Strategy 4. Rapid Penetration 5. ATM Banking 6. Tele Marketing
Threats	1. Merger and Acquisition 2. Poor Telecommunication Infrastructure 3. Frequent Currency Devaluation 4. Emergence of Competitors	1. Competitors are using more advance technological system. 2. Location of ATM's. 3. Governments increasing rules and regulations. 4. Mobile Banking services 5. Competitive performance is in high positive flow	1. Bad Loan 2. Multinational Bank 3. Conflict 4. Trade Union 5. Default Culture

Table-29: Comparative “SWOT” Analysis

5.4 Findings:

Major findings of the study are:

- The IFIC Bank, Mercantile Bank and Bank follows the traditional Banking system. The entire Banking procedure is not fully computerized.
- For the effectiveness of the foreign exchange department, MBL has divided the whole department into three major parts, which are Export, Import, and Remittance. But in case of IFIC and Bank the whole departments are in one major part.
- The monitoring system of the MBL is excellent. The chain of command is strictly maintained here. The executives now and then visit the department, which keeps all the officers alert about duty. In case of IFIC and Bank the monitoring system of the foreign exchange department are good.
- In MBL, IFIC and Bank it may be strictly observed that loan procedure is not influenced by the various factors.
- The poor service quality has becomes major problem for the banks. The quality of the service at MBL, IFIC and are better than that of some other commercial bank in Bangladesh. However, Banks has to compete with the Multinational Bank located here.
- The main important thing is that the banks have lack of mission statement and strategic plan. Banks not have any long term strategies of whether they wants to focus on retail banking or become a corporate bank. The path of the future should be determined now with a strong feasible strategic plan.
- Technical problems reduce the performance of the branch and extend the span of time resulting in loss (financial) and providing less service to both the bank and customers.
- The working environment of Mercantile Bank and Bank is very interactive, informal and attractive. People working here are cooperative to the highest possible extent.
- In case of IFIC Bank the working environment is not very interactive, informal and attractive. So people working here are not cooperative to the highest possible extent.

- The Foreign Exchange Department of Mercantile Bank and Bank is very much strong. Clauses they use in dealing with the Foreign Bank in term of L/C opening and amendment of L/C, are very much expedient to the Foreign Bank. It is giving a competitive advantage to the MBL and Bank. For this, businessman likes to deal their business with the MBL and Bank.
- In case of IFIC Bank the clients are discourages to open new L/C because of the shortage of the necessary document to open L/C.
- MBL and Bank top executives and officers are very helpful to the clients.
- In case of IFIC Bank employees are exposed to customer excessively which is an obstacle in systematic and prompt service.
- For IFIC Bank, MBL and Bank, Financing in the international trade is very crucial for the economy as well as it is risky. Sometimes the government imposes restrictions to import and export some products. As a result the rate of opening L/C become reduces.
- IFIC Bank, Mercantile Bank and Bank provide little assistance in relation with foreign exchange to the small entrepreneur comparing to large business houses.
- The presence of modern data processing and communication equipments in inadequate in IFIC Bank, MBL and Bank.
- Internal Control System (ICS) of IFIC and MBL Bank is not up to the standard (as per BAS).
- Anti money laundering procedures of the MBL Bank is very effective compare to IFIC and Bank.
- The marketing strategy adopted by the IFIC Bank, MBL and Bank are effective but not efficient.
- The expansion process of the IFIC and MBL Bank has little match with the modern pace of globalization.

Chapter 6

Recommendations & Conclusion

6.1 Recommendations

After analyzing **Foreign Exchange Operations of Commercial Banks**, It can be said that overall performance of this department of IFIC Bank, Mercantile Bank and Bank is satisfactory. From the comparative analysis and findings of the study, the following generalized recommendations can be made for improvement:

1. The Branches of three Banks move to the fully automated banking system. This will save a lot of time of personnel working here and will increase their and the Bank's performance thereby.
2. Increase of importing goods Banks should aware about over invoicing so that nobody can get chance to send money abroad illegally.
3. Increase of exporting goods Banks should aware about under invoicing so that nobody can get chance to avoid Tax, Vat, Duty.
4. MIS cell should be developed through internal tax, e-mail etc.
5. Accounting system of Banks should be software base.
6. Fund management of Banks should be more efficient. This will reduce the average cost of working fund.
7. Productivity measurement should be done from time to time through developing customer services.
8. Stuck up advances should be reduced through more recovery at lower rate of interest.
9. If the bankers can scrutinize the Commercial invoice it will decrease the Money Laundering.
10. The Assistant Commissioners of Tax can contribute more. They must be more careful about invoicing and restricted products.
11. Internal control system of Banks to be further strengthened.
12. Banks should introduce new innovative products to attract new potential customers and also keep its existing customer happy.
13. Improve their own ATM network and maintain sufficient fund in ATM booth.
14. ATM card facilities are not easy to Banks. So they are losing their many potential customers. So I think banks should take necessary step to easy their ATM card facilities for their customers.

15. Banks should hold and increase overall satisfaction rate and provide modern service, modern equipment, light behavior, physical facilities and so on.
16. There are more gaps are showing between perception and expectation of the respondents. As soon as possible remove this gap, which are existing between clients and banks.
17. The bankers must be careful in financing international trade. So that, the bank does not fall in bad loss provision stated by Bangladesh Bank.
18. Banks should Fixed-up specific types of client strategy according to the different character of client.
19. Commission income occupies the major part of the total earnings of a banks and profitability mainly depends on commission earning capacity, so research and development cell of the banks should put more effort for the purpose of introducing an efficient Foreign Exchange Department.
20. Banks can introduce more advanced MIS system to mobilize its day to day activities. It will help the employee to do their works more quickly and at the same time maintaining their quality of work.

6.2 Conclusion

Banking industry in Bangladesh is now on the right track. The Banks are contributing much than the previous years for the growth and development of the country. Credit for such contribution by the industry goes to the Bangladesh Bank. Banking industry is much organized because of strong vigilance and supervision of Bangladesh Bank. In the industry IFIC and MBL Bank are the pioneers in many criteria. IFIC and MBL Bank are committed towards the excellence in the service with efficiency, accuracy and proficiency. Like most of the commercial Banks, Foreign Exchange Department is one of the most important departments of IFIC and MBL Bank. Perhaps, it is the most important department of the Banks. This department is driving the banks from the front. Through the import, export and foreign remittance operations, this department is making a great contribution to the Banks and the economy as a whole. If it is said that this department of the Banks is running according to all of the ideal principles of modern foreign exchange business mentioned in the book, it will be exaggerated. Despite problems and weaknesses, it is driving the Banks from the front. With an easy to understand operating guidelines, transparent operating procedure and a team of highly knowledgeable and proficient personnel, this department is expanding and excelling itself day by day.

Consumers are more or less satisfied with the present services of the banks. Management should think to start new services and take different types of marketing strategy to get more customers in this competition market of banking.

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- ✓ Annual Report of Mercantile Bank Ltd. – 2010 to 2015