

# Chapter: 1

## Introduction

Economic history shows that development has started everywhere with the banking system and its contribution towards financial development of a country is the highest in the initial stage. Schumpeter (1933) regarded the banking system as one of the two main agents (other being entrepreneurship) in the whole process of development. Keynes also emphasized the role of banking services in the process of economic development of a country, while SHE was addressing the House of Lords regarding International and Monetary System (quoted in Sharma 1985). Moreover Alexander Gerashchenko (1962) in his popularly known “Gerschenkron’s Hypothesis” explained the banking system as the key role player at certain stage of the industrialization process.

Modern banking system plays a vital role for a nation’s economic development. Over the last few years the banking world has been undergoing a lot of changes due to deregulation, technological innovations, globalization etc. These changes in the banking system also brought revolutionary changes in a country’s economy. Present world is changing rapidly to face the challenge of competitive free market economy. It is well recognized that there is an urgent need for better, qualified management and better-trained staff in the dynamic global financial market. Bangladesh is no exceptions of this trend. Banking Sector in Bangladesh is facing challenges from different angles though its prospect is bright in the future.

## **1.1 Background of the study**

Bachelor of Business Administration is a specialized course. Stamford University of Bangladesh arranges a four year specialized course to provide some efficient graduates in this business sector of the country. The whole course design is not limited within the theoretical boundary but it also extends to the practical exposure through the internship program. After completion of 4 years in the BBA program of the faculty of business studies, department of Marketing, University of Stamford, three months organizational attachment is must. So the preparation and submission of this report is partial requirement for the completion of the Bachelor of Business Administration (BBA). This report is outcome of the three months long internship program conducted in Exim Bank Limited, one of the reputed private commercial banks of the country .While working operating procedures carried out by the bank were observed and supportive effort with the trainers, bankers & under the guidance of my faculty respective advisor Shyamali Biswas.

This internship program has been prepared on the basis of my practical experience in the general banking along with the foreign exchange division activities. This report will also provide the essential information's how the private commercial banks contribute for the economic development of the country.

I have tried my best to utilize the opportunity to enrich my knowledge on banking system and incorporate it with the theoretical course.

## **1.2 Rational of the study:**

There are three specific sectors in the EXIM Bank. General banking, Investment & Foreign Trade are those. Basically under those sectors EXIM Bank play a vital role of the country. General banking is one of the profitable sites for the all bank. On the other investment also a strong silt of the EXIM Bank Ltd. But EXIM Bank (Export Import Bank of Bangladesh) is most popular for its foreign trade. Besides it have very strong relationship with the foreign customer. EXIM Bank's foreign trade policy is huge. Basically most of the customer is made an import & export by the EXIM Bank. So the foreign trade policy is selected by me to submit a internship report up to EXIM Bank of Bangladesh Ltd.

### **1.3 Objectives of the study**

The objective of the study is to gather practical knowledge on banking system and operation. This internship gives us a chance to co-ordinate with the theoretical knowledge and the practical experience and to evaluate the performance of general banking & foreign exchange of Exim Bank. The following are of objective for internship in bank:

#### **1.3.1 General Objective**

The general objective is to prepare & submit a report on the topic of "General Banking with foreign exchange activities of Exim Bank of Bangladesh Ltd."

#### **1.3.2 Specific Objective**

- To apply theoretical knowledge in the practical field.
- To be familiar with the banking management system.
- To have exposure to the functions of general banking section.
- To analyze the service procedure of Exim Bank Ltd.
- To evaluate the performance of foreign exchange division.
- To come up with a SWOT analysis of Exim Bank.
- To know the return on export, import & remittance.
- To familiarize the working hours, values and environment of the bank.
- To analyze the financing system of the Bank and find out whether the bank needs any improvement.
- To familiarize different rules and regulations of export and import formalities.
- To find out the contribution of private commercial banks for the economic development of the country.

#### **1.4 Coverage of the study**

- To obtain practical experience about general banking & foreign exchange activities by involving Internship program.
- To build professional carrier in the banking sector as well as any financial institution.

## **1.5 Methodology of the study**

The planned methodology of the research is given below:

### **1.5.1 (A) Sources of data**

Data regarding the completion of this research will be collected from both primary and secondary sources.

The core information and data source is expected to be primary, because it will involve interviewing officials of Exim Bank, Malibagh branch to get detailed information about the innovative products they offer. The officials who will be interviewed are:

Branch Sales & Service Manager

Sales Team Manager

Cash Manager

Personal Financial Consultant

#### **1.5.1.1 Primary sources**

- Practical desk work
- Face to face conversation with the officer
- Direct observations
- Face to face conversation with the client

#### **1.5.1.2 Secondary sources**

- Annual reports of Exim Bank Ltd.
- Files & Folders
- Memos & Circulars
- Daily diary (containing my activities of practical orientation) maintained by me,
- Various publications on Bank,
- Websites,
- Different circulars sent by Head Office and Bangladesh Bank.

## **1.6 Questionnaire design, data collection and answer:**

As the internship program involves constantly interacting with officers, I am able to manage some answers of the questions. The questionnaire will consists of 21 questions which will try to measure the quality of services in comparison to other multinational banks of Bangladesh. Most of the information will be collected by interviewing the bank officials.

## **1.7 Limitations of the Study:**

There were some problems while I have undergone to do work. A wholehearted effort was applied to conduct the program and to bring a reliable and fruitful result. In spite of having the wholehearted effort, there exist some limitations, which acted as barrier. The limitations were -

- The study was limited only to the EXIM BANK Limited.
- Another Problem was time constraints. The duration of my work was only three months. But this time is not enough for a complete and fruitful study.
- Getting financial information is very hard job.
- The Bank was a busy one having heavy rush of people, whom officers need to deal with. So allocation of time for an internee is very much tough for the officers of the bank.
- Although there are a lot of limitations, I have tried to put my best effort as far as possible to prepare the report.

## **Chapter: 2**

### **Overview of the Organization:**

#### **2.1 Banking Industry in Bangladesh: An Overview**

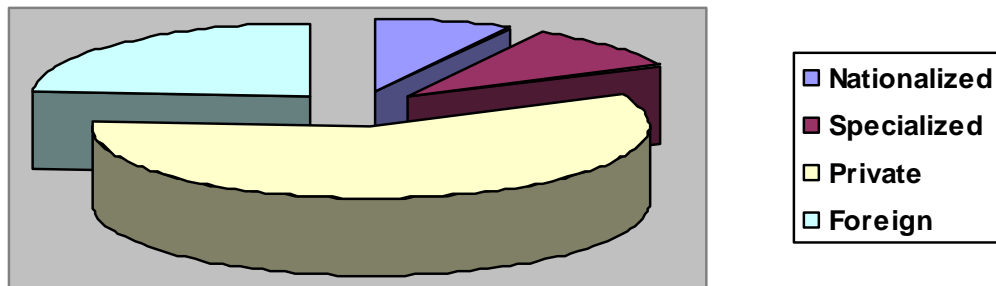
The gradual improvement in the overall policy environment has enabled Bangladesh to improve its economic performance in recent years. Successive governments in Bangladesh have been confronted with the problem of stimulating the economic growth rate in a country where a substantial segment of the population lives below the subsistence level. Economic policies are still guided by five year plans. The prospect of economic growth in Bangladesh in the near future will depend on the pace of economic reforms and the quality of macroeconomic management. Accelerating the rate of economic growth will require higher levels of investment. This will primarily come from private flows of foreign direct investment. This can be established by reforming the financial system and continuing the process of financial deepening.

The banking industry in Bangladesh is one characterized by strict regulations and monitoring from the central governing body, The Bangladesh Bank. As the government is often the owner and regulator as well as the supervisor and customer of a bank, there has been ample opportunity for mismanagement over the years. The banking sector is plagued with a lack of credit discipline, archaic loan recovery law, corruption, inefficiency, overstaffing, etc. Several reform measures of the financial sector have been taken to improve the situation. Relative stability achieved by the support extended by both the central bank and the Government of Bangladesh in the past has restored public confidence in the country's banking sector. Moreover, Nationalized Commercial Banks (NCBs) and old generation Private Commercial Banks (PCBs) would have to lower the rate of NPAs in their portfolios. Failure to do so would mean re-capitalization, at least for the NCBs. This may in turn lead to a further drain on the limited resources of the Government of Bangladesh at this time or in the immediate future this recapitalization would not be feasible. With these conditions in place, the World Bank anticipates the likelihood of a situation where the ever-increasing burden of non-performing loans and growing rate of debt servicing would place the economy under enormous strain and result in a crisis in the banking sector in the long term.

The main concern is that currently there are far too many banks for the bank to sustain. As a result the market will accommodate only those banks that can transpire as the most competitive and profitable ones in the future.

Currently the major financial institutions under the banking system include

- Bangladesh Bank
- Commercial Banks
- Islamic Banks
- Leasing Companies
- Finance Companies



**Figure 1.1 Percentage different banking Sectors in Bangladesh**

The number of banks in all now stands at 49 in Bangladesh. Out of the 49 banks, four are Nationalized Commercial Banks (NCBs), 28 local private commercial banks, 12 foreign banks and the rest five are Development Financial Institutions (DFIs).

Generally, the commercial banks and the finance companies provide Myriad of banking products/services to cater to the needs of their customers. However, the Bangladeshi Banking industry is characterized by the tight Banking rules and regulations set by the Bangladesh Bank. All banks and financial institutions are highly

governed and controlled under the Banking Companies Act 1993. The range of banking products and services is also limited in scope. With the liberalization of markets competitions among the banking products seems to be growing more instances each day. In addition, the banking products offered in Bangladesh are fairly homogeneous in nature due to the tight regulations imposed by the central bank. Competing through differentiation is increasingly difficult and other banks quickly duplicate any innovative banking service.

These private banks are popularly known to public as First Generation Banks (9 banks opened during 1982-88), Second Generation banks (13 banks opened during 1992-96) and Third Generation banks (13 banks opened during 1999-2001).

**1.1 The name of all the banks operating in Bangladesh and their date of incorporation are given below**

<b>Name of bank</b>	<b>Date of incorporation</b>	<b>Name of bank</b>	<b>Date of incorporation</b>
<b>Nationalized commercial banks</b>		<b>Specialized banks</b>	
<b>Sonali bank Ltd</b>	<b>1972</b>	<b>BKB</b>	<b>1972</b>
<b>Janata Bank Ltd</b>	<b>1972</b>	<b>BSB</b>	<b>1972</b>
<b>Agrani Bank Ltd</b>	<b>1972</b>	<b>BSRS</b>	<b>1972</b>
<b>Rupali bank Ltd</b>	<b>1972</b>	<b>RAKUB</b>	<b>1987</b>
		<b>BASIC</b>	<b>1988</b>
<b>Private Commercial Banks</b>			
<b>1<sup>st</sup> generation private banks</b>		<b>2<sup>nd</sup> generation private banks</b>	
<b>AB bank Ltd.</b>	<b>1982</b>	<b>Eastern bank Ltd</b>	<b>1992</b>
<b>Utara bank Ltd</b>	<b>1983</b>	<b>National credit and commerce bank Ltd</b>	<b>1993</b>
<b>National bank Ltd</b>	<b>1983</b>	<b>Prime bank Ltd</b>	<b>1995</b>
<b>Islami bank Ltd</b>	<b>1983</b>	<b>Dhaka bank Ltd</b>	<b>1995</b>
<b>IFIC bank Ltd</b>	<b>1983</b>	<b>Southeast bank Ltd</b>	<b>1995</b>



<b>United Commercial bank Ltd</b>	<b>1983</b>	<b>Al-Arafa Islami Bank Ltd</b>	<b>1995</b>
<b>The City bank Ltd</b>	<b>1983</b>	<b>Social Investment bank Ltd</b>	<b>1995</b>
<b>Pubali bank Ltd</b>	<b>1984</b>	<b>Dutch-Bangla bank Ltd</b>	<b>1996</b>
<b>Al-Baraka bank Ltd</b>	<b>1987</b>		
<b>3<sup>rd</sup> generation private banks</b>		<b>Foreign commercial banks</b>	
<b>Bangladesh Commerce Bank Ltd</b>	<b>1998</b>	<b>Standard Chartered bank</b>	<b>1948</b>
<b>Mercantile Bank Ltd</b>	<b>1999</b>		
<b>Standard bank Ltd</b>	<b>1999</b>	<b>American Express Bank Ltd</b>	<b>1996</b>
<b>One Bank Ltd</b>	<b>1999</b>	<b>State Bank of India</b>	<b>1975</b>
<b>Exim Bank</b>	<b>1999</b>	<b>Habib Bank Ltd</b>	<b>1976</b>
<b>Premier Bank Ltd</b>	<b>1999</b>	<b>Muslim Commercial bank</b>	<b>1994</b>
<b>Mutual Trust Bank Ltd</b>	<b>1999</b>	<b>National Bank of Pakistan</b>	<b>1994</b>
<b>First security Bank Ltd</b>	<b>1999</b>	<b>CITI Bank N.A.</b>	<b>1995</b>
<b>Bank Asia Ltd</b>	<b>1999</b>	<b>HSBC</b>	<b>1996</b>
<b>The Trust bank Ltd</b>	<b>1999</b>	<b>Shamil Islami Bank</b>	<b>1997</b>
<b>Jamuna Bank</b>	<b>2001</b>	<b>CreditAgricolIndosuez</b>	<b>1997</b>
<b>Shahjalal Bank</b>	<b>2001</b>	<b>Hanvit Bank</b>	<b>1999</b>
<b>BRAC Bank</b>	<b>2001</b>	<b>Mashreq</b>	<b>2001</b>
<b>Bank of Silon</b>	<b>2007</b>		

### **2.1.1 Name and Location of the EXIM Bank**

Export Import Bank of Bangladesh Limited is commonly known as EXIM Bank Ltd. As the name implies a newly formed commercial bank but is the First of its kind of bank in Bangladesh. It has incorporated in Dhaka, Bangladesh as public Limited company and its head office is located at "SYMPHONY"Plot # SE (F): 9, Road # 142,Gulshan Avenue, Dhaka- 1212

Phone: 880-2-9889363, 9891489Fax: 880-2-8828962

### **2.1.2 Historical Background of EXIM Bank**

Export Import Bank of Bangladesh Limited that was named before as Bengal Export Import Bank Ltd. being newly formed commercial bank of the country with a distinctive identity was opened in 3<sup>rd</sup> August 1999,with the permission of Bangladesh Bank under Banking Companies Act-1991. The bank received the certificate of incorporation #C-37884(2164)/99 under the company act of 1994.

Exim Bank Limited was established in 1999 under the leadership of Late Mr.Shahjahan Kabir, founder chairman who had a long dream of floating a commercial bank which would contribute to the socio-economic development of our country. Mr.Nazrul Islam Mazumder became the honorable chairman after the demise of the honorable founder chairman respectively.

The bank has migrated all of its conventional banking operation into Shariah based Islamic banking since July/2004.

### **2.2 Vision of EXIM Bank**

The gist of our vision is “Together towards Tomorrow”. Export Import Bank of Bangladesh Limited believes in togetherness with its customers, in its march on the road to growth and progress with services. To achieve the desired goal, there will be pursuit of excellence at all stages with a climate of continuous improvement, because, in EXIM Bank, we believe, the line of excellence is never ending. Bank’s strategic plans and

networking will strengthen its competitive edge over others in rapidly changing competitive environments. Its personalized quality services to the customer with the trend of constant improvement will be cornerstone to achieve our operational success.

### **2.3 Mission of EXIM Bank**

1. To be the first bank in the banking arena of Bangladesh under the Shariah guidelines.
2. To maintain Corporate and business ethics.
3. To become a trusted repository of customers' money and their financial advisor
4. To make our stock superior and rewarding to the customers/share holders.
5. To display team spirit and professionalism.
6. To maintain a Sound Capital Base.
7. To provide high quality financial services in export and import trade.
8. To provide excellent quality Customer service.

### **2.4 EXIM's Objectives**

Based on their mission and vision, Exim Bank has come up with few objectives, which they believe will help them reach their desired destination. They are:

**Gaining a larger market share:** Exim Bank currently has a quite low market share of less than 6%. They want to increase their market share in the coming years.

**Strengthening brand image:** Exim wants to establish them as a bank providing excellent service in the minds of the customers. This will help them strengthen their brand image.

**Provide technologically advanced services:** Exim wants to provide technologically advanced services for the convenience of their customers. They were the first bank in the country to introduce Money link ATM cards. Now they have introduced Phone-banking, Internet banking and sms banking.

**Making banking comfortable and convenient for customers:** Exim wants to retain their customers by making customers feel comfortable while they are at the banking premises. For this reason they have arranged for adequate seating facilities. Now customers do not have to wait for long hours in queues, they can sit with their token until their token number appears on the screen and they are called to the counter.

**Encourage and motivate customers so as to increase sales and profits:** Exim wants to retain their previous customers by keeping them motivated by providing them with gifts for extensive use of ATM cards and Credit Cards and by providing higher interest rates to customers who open their accounts with a higher initial balance. This will also help them to attract new customers.

**Ensuring customer satisfaction:** Standard Chartered Bank has made use of different means of getting feedback from customers so as to understand their level of satisfaction, based on which they can take the necessary actions to ensure customer satisfaction.

## **2.5 EXIM's Strategies**

EXIM Bank has formulated some strategies to achieve their desired Objective. These are:

**Promotional activities:** Exim Bank is trying to achieve their objective of increasing their market share by engaging in promotional activities. Example: They are offering free shopping worth Tk 2,000 from Agora to customers who will be able to refer at least 5 new customers to EXIM.

**Assigning targets to salespeople:** The salespeople of Exim Bank are assigned targets based on their desired increase in market share. Salespeople are paid based on the number of sales they can make. If they are unable to achieve their target, they are not paid. This acts as a negative motivational factor, which is a driving force for the salespeople.

**Offering a very wide range of innovative products:** Exim Bank wants to establish themselves as a strong brand name in the minds of customers. In order to achieve this

objective they are continuously coming up with innovative products such as night banking, 24 hours ATM banking, 24 hours Phone banking, Internet banking, Sms banking, platinum credit cards having a maximum credit limit of BDT 1,000,000 and many more.

**Introducing more convenient and comfortable means of banking:** The innovative products offered by Exim have already made banking more convenient for customers. They have introduced token systems for customers who want to engage in cash and cheque transactions or want to make remittances. Customers no longer have to wait for long hours in the queue; they can sit making themselves comfortable and wait for their token number to appear on the screen before they go to the counter.

## **2.6 Corporate Culture**

EXIM bank is one of the most disciplined Banks with a distinctive corporate culture. Here the bank believes in shared meaning, shared understanding and shared sense making. Banks people can see and understand events, activities, objectives and situation in a distinctive way. They mould their manners and etiquette, character individually to suit the purpose of the Bank and the needs of the customers who are of paramount importance to the bank. The people in the Banks see themselves as a tight knit team or as family that they believe in working together for growth their corporate conduct.

## **2.7 Social Commitment**

The purpose of our banking business is, obviously, to earn profit, but the promoters and the equity holders are aware of their commitment to the society to which they belong. A mass of the profit is kept aside to spend for socio-economic development through trustee and in patronization of a art, culture where it operates.

## 2.8 Branch Information of Exim bank:

The bank is expanding its direct operating network by establishing branches, which now stands at 30 (thirty) including 2 new branches opened during the year 2006, while it was 28 in the previous year. Out of 30 branches, 21 are located at the prime business centers of urban areas across the country and remaining 09 branches are at rural areas of the country. The Bank has a plan to gradually open more branches covering important commercial places both in urban and rural areas in the days coming ahead.

### 1.2 Branch information:

#### **Dhaka Division**

- MOTIJHEEL BRANCH
- PANTHOPATH BRANCH
- GAZIPUR CHOWRASTA BRANCH
- IMAMGONJ BRANCH
- GULSHAN BRANCH
- NAWABPUR BRANCH
- NARAYNGONJ BRANCH
- SHIMRAIL BRANCH
- RAJUKAVENUE BRANCH
- NEW ESKATON BRANCH
- UTTARA BRANC BRANCH H
- MIRPUR BRANCH
- ELEPHANT ROAD BRANCH
- MAWNA BRANCH
- MALIBAGH BRANCH
- ASHULIA BRANCH
- ASHUGONJ BRANCH
- SAT MOSHJIDROAD BRANCH
- BASHUNDHARAROAD BRANCH

#### **CHITTAGONG DIVISION**

- AGRABAD BRANCH
- KHATUNGONJ BRANCH
- JUBLEEROA BRANCH
- SONIMURI BRANCH
- LAKSHAM BRANCH
- CADAVENUE BRANCH
- CHOWMUHANI BRANCH
- COMILLA (Monohorpur) BRANCH

#### **SYLHET DIVISION**

- SYLHET BRANCH
- FENCHUGONJ BRANCH

#### **KHULNA DIVISION**

- JESSORE BRANCH

#### **RAJSHAHI DIVISION**

- BOGRA BRANCH

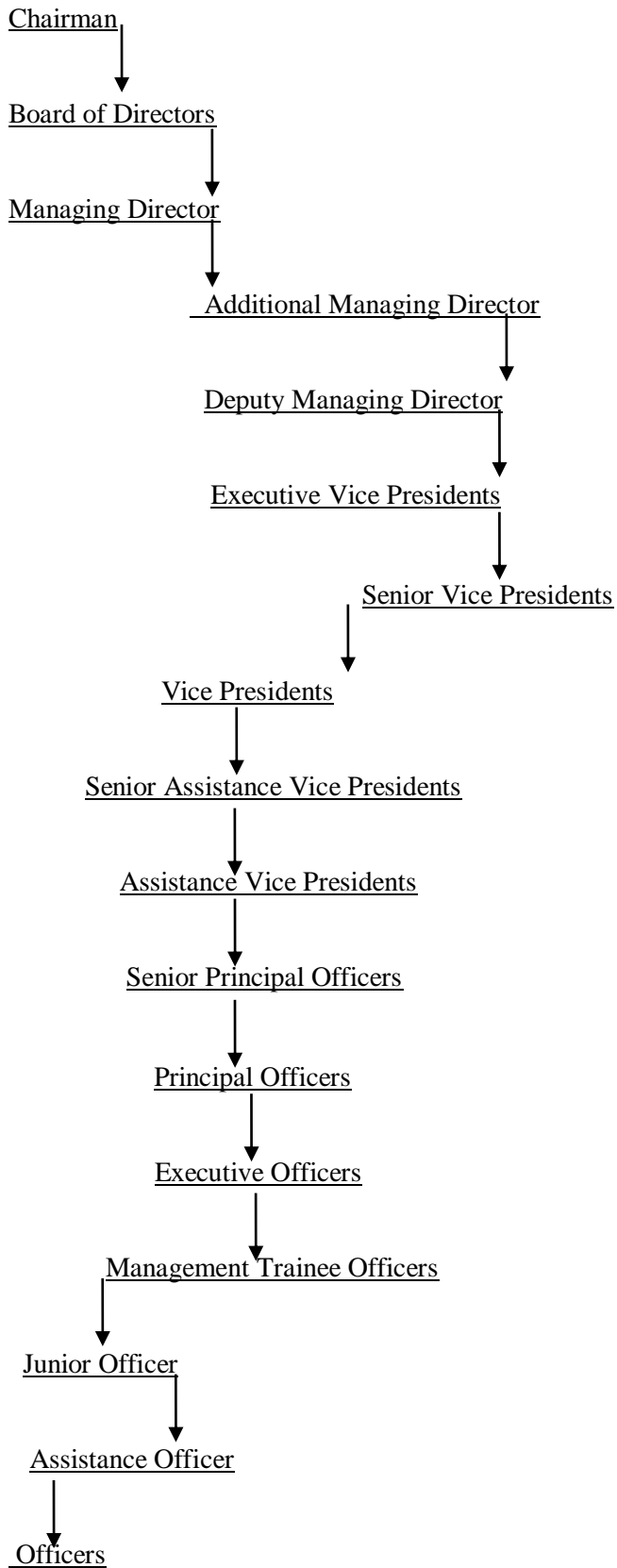
## **2.9 Shariah Auditing**

This is the civil supervisory aspect that shapes the Bank's main feature. Its existence is part of the Shariah Supervision procedures. One of its main tasks is to check the Shariah complacency in the Bank's transactional procedures in accordance to the Fatwa's issued in that regard, under the guidance of the Shariah Supervisor.

The Shariah auditor is assigned the task of revising the bank's transactional procedures throughout the year to check the extent to which the staff members and the different departments have abided by the regulations, advices, and Fatwa's issued by the Fatwa & Shariah Supervisor Board, forums & banking conferences. As well as, the Shariah Supervision Board certifies assuring that all the contracts that state a right for the Bank or an obligation on the Bank.

Moreover, the Shariah Auditing submits periodic reports to the Shariah Supervisor in order to be proposed to the Shariah Supervisor Board to state what it finds appropriate in that regard.

## 2.10 Management Hierarchy of EXIM Bank limited





## 2.11 About Malibagh Branch

Location of Malibagh Branch: Malibagh Branch is established on 16<sup>th</sup> June 2003. The address of Exim Bank is 484, D.I.T Road, Mlibagh, Dhaka-1217.

## 2.12 Hierarchy of Malibagh Branch:

Assistant Vice President \$ Manager



Senior Principal Officer



Principal Officer:



Executive Officer:



Officer:



Junior Officer



Assistance Officer

## **2.13 Shariah Board**

The Board of Directors has formed a Shariah Supervisory Board of the bank. Their duty is to monitor the entire Bank's transactional procedures, & assuring its Shariah complacency. This Board consists of the following members headed by its chairman.

The tasks of the Shariah Supervisory in summary is replying to inquires of the Bank's administration, staff members, depositors, customers, follow up with the Shariah auditors and private them with the guidance, submitting reports & remarks to the Fatwa & Shariah Supervision Board and the administration, participating in the Bank's training programs, participating in the supervision & handling the duty being the General Secretary of the Board.

## **2.14 Management**

Management in EXIM consists of planning organizing, directing and controlling all of the resources of the organization. The overall planning in the Organization is done at the headquarters level in Dhaka by a Management Committee (MANCO), headed by the CEO and consisting of the business heads of Corporate Banking, Consumer Banking, Treasury, and from the support divisions the heads of Human Resource, Operations and Finance Departments. They meet once a month, or when special situations arise, to plan the strategic decisions. The decision making, although apparently based on a top-down approach, leaves room for participation down to the level of despoilment heads, which are responsible for carrying out the planning of their department within the broad guidelines set by MANCO.

### **2.14.1 Planning**

EXIM now follows a top down planning approach. The top managers have the authority to decide how they will achieve their goal. The Business Bank mainly does planning and Retail Bank Division, IT Department provides all the assistance and information that is

required to create and execute long term and short term planning. Planning and IR Department provides all the assistance and IT and other infrastructure in order to reduce the paperwork IT has taken a plan to achieve the long term plan.

### **2.14.2 Organizing**

Each branch is being managed by one branch sales and service manager (BSSM). The performance of each branch is mainly dependent on the branch manager.

### **2.14.3 Directing and Controlling**

Management is partly authoritative and participant at the top level of EXIM But every one has some assigned work to do for the day and they cannot deny this. Sitting arrangement is created in such a way that co-workers can sit close to each other and have sharing of their work and at the same time can have easy contact with each department coordinator/ Head. The work environment is very friendly. The room contains sufficient amount of light and is always kept cool by high capacity air conditioners.

### **2.14.4 Human Resources Division**

This department manages recruitment, training and career progression plan. Standard Chartered Bank highlights the importance of developing its people to create a culture of customer service, innovation, teamwork and professional excellence.

### **2.14.5 IT Department**

This department is instrumental in the running of all the computerized operations of the bank. They help in the implementation and generation of computerized reports. Another major duty of the department is to maintain communication with the rest of the world.

## **2.14.6 Recruitment**

Recruitment is the process of gathering a group of qualified applicants. Job analysis provides information about what the job entails and what human characteristics are required to perform these activities. This information, in the form of job descriptions and job specifications, helps managements decide what sort of people to recruit and hire. Organizations want to be able to identify and hire the best people for the job and the organization in a fair and efficient manner. A properly developed assessment tool may provide a way to select successful sales people, concerned customer service representatives, and effective workers in many other occupations

### **Recruitment Sources:**

There are different sources of recruitment process that can be used by a company. These are:

- Internal versus External Sources
- Direct Applicants and Referrals
- Advertisements in Newspapers and Periodicals
- Public Employment Agencies
- Private Employment Agencies
- College and Universities
- Electronic Recruiting

EXIM BANK is not using all the sources of recruitment. When they need Human Resource, they publish advertisements in the newspaper asking for application from the prospective individuals. Sometimes they take human resource by direct applicants and referrals.

### **Recruitment Process**

EXIM BANK is following the “Judgmental Method” for recruitment. At the beginning of the recruitment process, EXIM BANK sends a form to all the managers to let the

authority know about the current human resource. Are there any shortage of human resources and how many employees they needed to run the operation smoothly? Based on the decision from upper level employees are hired from different sources.

### **2.14.7 Motivational Program**

Employee benefits packages are provided as an addition to compensation in order to attract and retain employees, which are worked as motivational issue for employees. Best practice organizations align the employee benefits policies with policies on compensation and reward and recognition as part of “Total Compensation” approach. The current motivational programs of EXIM BANK are:

- Health care/ Medical facilities provided for the employees.
- The employees get bonus in two Eid at a rate of their basic salary.
- Pay for time not worked facilities is available for all the employees.

### **2.14.8 Training and development**

Training represents a positive hope for persons first entering the world of work or for individuals changing their work environment. When training is designed well, it gives individuals opportunities to enter the job market with needed skills, to perform new functions, and to be promoted into new situations. Therefore, it is not surprising that labor unions have included training opportunities as an item in contract bargaining negotiations.

#### **Training Objectives**

Objectives for training should relate to training needs identified in the need analysis. The success of the training should be measured in terms of the objectives set. AB BANK has set their training objective as:

- ❖ Increase quality of work
- ❖ Reduce failure of timeliness of work

### **Training Evaluation**

Evaluation of training compares the post- training results to the objectives expected by managers, trainers, and trainees. EXIM bank has no formal post training evaluation program, but they monitor the following thing after training:

- ❖ Reduction in errors
- ❖ Less supervision necessary
- ❖ New skills that lead to ability to do more jobs
- ❖ Whether attitudes changes or not

### **2.14.9 PERFORMANCE APPRAISAL**

If employees are to be judged in terms of how well they do those parts of their jobs that really matter, those that distinguish effective from ineffective performers, then critical and non critical job requirements must be specified. Organizations may use tests to identify employees who possess managerial potential or higher level capabilities, so that these employees can be promoted to assume greater duties and responsibilities.

### **2.15 Market**

EXIM bank of Bangladesh limited, one of the leading private commercial banks, I promoted by a group of renowned Bangladeshi entrepreneurs, and commenced its banking operation on 3<sup>rd</sup> August 1999. Within an operative period as short as six years, the bank has arrived at a strong financial and business position by expanding its market share compared to contemporaries and to some extent to the 2<sup>nd</sup> even 1<sup>st</sup> generation banks sector. In addition, the bank has also made a significant contribution to the national economy sector under the prudent leadership and steady support of the member of the Board of the Directors, who are leading business personalities and reputed industrialists of the country.

The progression of marketing operation of any organization depends on the efficacy of custom service. To achieve superior customer responsiveness often requires that the company achieve superior efficiency, quality and innovation. To achieve superior customer Responsiveness Company needs to give customers what they want when they want it. It must ensure a strong customer focus, which can be attained through leadership; training employees to think the customers; bringing the customers into the company through superior market research; customize the product to the unique needs of individual customers or customer groups and respond quickly to customers' demands. Customers' service is the set of activities and organization use win and retains customers' satisfaction. It can be provided before, during or after the sale of product or exist on its own. The progress of EXIM Bank LTD is very rapid with the concern of profit making and growth of its operation within the country towards the country's economy.

## **2.16 Product & services Information of Exim Bank:**

EXIM bank is foreign commercial bank in the arena of banking business, To all intents and purposes; it's on time delivered service to the customers as demand is considerably better than others. By means of day to day customer service, the customers are being well-informed concerned with its contemporary and up - to -the- minute invented products easily. It also thinks that Customer Care brings perfection to a bank and believes that effective Customer Care strengthens the product knowledge in to customer's mind more positively and precisely.

The following financial products are available for the customers. The products are customers friendly and easy to use. The product mix is maintained in accordance with the need basis for the customers and profit generating for the banks as well.

### **2.16.1 Finance/Investment**

- Corporate finance
- Industrial finance
- Commercial finance
- Lease finance
- Syndicate finance
- Hire purchase finance
- Real state finance

### **2.16.2 Modes of investment**

- Murabaha
- Bai Muazzal
- Izara Bil Baia
- Wazirat Bil Wakala
- Quard
- Local Documentary Bill Purchased

### **2.16.3 Foreign exchange;**

- Non Resident Foreign Currency Deposit Account.
- Foreign Currency Deposit Account.

### **2.16.4 Deposit**

Al- Wadia Current Deposit.

#### **Mudaharaba Saving Deposit:**

- Mudaharaba Monthly Saving Scheme (Money Grower)
- Mudaharaba Monthly Income Scheme (steady Money)
- Mudaharaba Super saving Scheme (Double in6 Years)
- Mudaharaba Multiple Saving Scheme (More than triple in10 years)
- Mudaharaba Education Saving Scheme.



### **Mudaharaba Short term Deposit.**

### **Mudaharaba term Deposit.**

- One month
  - Three months
  - Six months
  - Twelve months
  - Twenty Four months
  - Thirty Six months
- 
- **Foreign Currency Deposit**
  - **Mudaraba Savings Scheme**
    - ⇒ [Monthly Savings Scheme\(Money Grower\)](#)
    - ⇒ [Monthly Income Scheme\(Steady Money\)](#)
    - ⇒ [More than Double the deposit in 6 years \(Super Savings\)](#)
    - ⇒ [More than triple the Deposit in 10 years \(Multiplus Savings\)](#)
  - Mudaraba Hajj Deposit

## **2.17 Other Services**

EXIM Bank emphasizes on non-fund business and fee based income. Bid bond/ bid security can be issued at customer's request.

This Bank is posed to extend L/C facilities to its importers / exporters through establishment of correspondent relations and Nostro Accounts with leading banks all over the world.

Moreover, Consumers can deposit their Telephone bill of Grameen Phone in all the branches except Motijheel and the consumers of Palli Buddut somity of Gazipur can deposit their electricity bill to Gazipur branch.

## **2.18 Export and Import Trade Handling and Financing**

As a commercial Bank, EXIM Bank Ltd performs all traditional Banking business including the wide range of savings and credit scheme products, retail banking with the support of modern technology and professional Excellency. But its main focus is, on export and import trade handling and the development of entrepreneurship of private sectors.

### ***2.18.1 Sources and Uses of Fund***

The composition of sources of banks fund are paid up capital, reserve, customer deposit and call loan from different banks. The bank used major portion of this fund for investment in loans and advance. The bank also invested in securities and shares. The surplus fund was applied in call money market to earn satisfactory returns.

### ***2.18.2 Deposit***

The total deposit of the bank increased to Tk. 5,758.70 corers as on December 31, 2008 from Tk. 4,746.65 corers as at the end of the previous year indicating an increase of 21.32% than the previous year. The EXIM Bank remains committed to increasing its deposit base on lowering the banks overall cost of fund.

### ***2.18.3 Loans and Advance in EXIM Bank Limited***

During the year 2008, total loans and advances increased by tk. 2,894.02 corers in the change of 17.75% growth over the preceding period. This is due to increased commercial and trade financing, term leading and working capital support. The classified loan position is almost nil. This was achieved by rendering due attention and monitoring high-risk advance. As a result classified advance is amounted to Tk. 2,457.72 corers in 2008. The bank is trying to operate its credit activities with the target of achieving Zero

classified loans. The notable investment represents deployment in Treasury bills and Shares, Prize bond & others.

#### ***2.18.4 Investment of EXIM Bank Limited***

The size of investment portfolio of the bank as on December 31, 2008 stood at Tk. 5,363.77 corers against Tk. 4,019.52 corers in the previous year showing an increase of 33.44%. The notable investment represents general investment & bills discounted & purchased.

#### ***2.18.5 Import Business***

The total import business handled by the EXIM Bank during the year 2008 was Tk. 7,854.05 corers as compared to Tk. 6,139.94 corers in the previous year showing an increased rate of 27.92%. The significant items of imports were industrial raw materials, consumer goods, machinery, Fabrics and accessories etc.

#### ***2.18.6 Export Business***

The total volume of export handled by the bank during 2008 was TK. 7,646.56 corers compared to TK. 5,579.04 corers in the previous year are showing an increased rate of 37.06%. The export trade continuous to be a major growth area for the bank and the bank intends to concentrate in this of business in the coming years.

#### ***2.18.7 SWIFT Service***

The SWIFT services helped the bank in sending and receiving the messages and instructions related to its NOSTRO account operations and L/C related matters. The Bank has brought 8 of its branches under SWIFT network.

### 2.18.8 Performance of EXIM Bank

Within a short time period EXIM Bank Ltd has been successful to position itself as a progressive and dynamic financial institution in the country. The Bank widely acclaimed by the business community, from small business/entrepreneurs to large traders and industrial conglomerates, including the top rated corporate borrowers from forward-looking business outlook and innovative financing solutions. The bank achieved satisfactory progress in all areas of its operation and earned a positive operating profit almost in every year.

### 2.19 Highlights on the Overall Financial Activities:

#### (2.1) Growth of Bank Figure in Crore

Sl.	Particulars	2004	2005	2006	2007	2008
1	Authorized Capital	100.00	100.00	350.00	350.00	350.00
2	Paid-up Capital	62.78	87.90	171.38	214.22	267.78
3	Reserve Fund	35.73	57.00	81.09	113.46	153.26
4	Deposits	1907.82	2831.90	3503.20	4154.66	5758.70
5	Investment (General)	1933.20	2604.60	3264.13	4019.52	5363.77
6	Investment ( Shares on Bonds)	154.30	163.30	223.33	245.77	289.40
7	Foreign Exchange Business	<b>4931.24</b>	<b>7294.00</b>	<b>9617.51</b>	<b>11790.01</b>	<b>15643.46</b>
	a) Import Business	2678.10	4143.20	4959.67	6139.94	7854.05
	b) Export Business	2241.84	3128.50	4623.46	5579.04	7646.56
	c) Remittance	11.31	22.30	34.38	71.03	142.85
8	Operating Profit	83.58	117.58	137.87	190.82	251.84
9	Loan as a % of total Deposit	101.33%	91.97%	93.18%	96.75%	93.14%
10	No. of Foreign Correspondent	200	222	246	246	278
11	Number of Employees	768	934	1020	1104	1312
12	Number of Branches	28	28	30	35	42
13	Return on Assets	1.57%	1.65%	1.73%	2.00%	1.83%

## Chapter: 3

### **Foreign Trade Operations:**

#### **Part - A**

##### **3.1 Foreign Trade:**

---

---

The Foreign Trade of a country refers to its imports and exports of goods and services from and to other countries under contract of sale. No country in the world produces all the commodities it requires. A country may produce more goods if it has comparative advantage in producing such goods. A country exports its surplus goods after the fulfillment of its domestic needs. On the contrary, for domestic needs it imports necessary goods from other countries.

The composition of import and export is an important aspect of a country's foreign trade. Difference between total import and export of a country is called trade balance of that country. Positive trade balance shows if total exports received exceeds total imports payments and vice versa.

##### **3.2 Fundamentals of Foreign Policy:**

---

---

There are 3 fundamental aspects in the general mechanisms of foreign exchange:

- ✓ Every country has its own currency legal distinctive unit account.
- ✓ The exchange rate affected by means of credit instruments e.g. draft, mail, transfer, telegraphic transfer etc.
- ✓ Banks by book keeping entry carried out in the two centers concerned effect the conversion of one currency into another.

### 3.3 Documentary Credits:

---

Following credit terms are generally found in application of documentary credit operations:

- i. **Price:** The price of the goods consigned under a letter of credit is quoted in terms of certain terms i.e. FOB, CFR, DDU etc. The terms used by International Chamber of Commerce provides the necessary terms to have clear understanding among the concerned parties under a letter of credit.
- ii. **Mode of Shipment:** It indicates how the goods will be delivered i.e. by sea, air or land transportation.
- iii. **Date of Shipment:** This date is indicated in the letter of credit. The goods are shipped/dispatched on or before the date mentioned in the credit.
- iv. **Quantity:** It may be the total volume expressed in terms of weight, items, packages etc.
- v. **Amount and Currency:** The amount denotes the value of the letter of credit expressed in terms of a currency acceptable as per contract between the buyer and the seller.
- vi. **Description of Goods:** A brief description of goods such as quantity, quality and unit price is mentioned in the credit, details of which are mentioned in the underlying contract between the buyer and the seller.
- vii. **Partial Shipment/Trans-shipment:** Partial shipment indicates that the consignment may be shipped/dispatched in different lots and at different times. Trans-shipment means the transportation of goods from one carrier to another en-route to final port of destination.

- viii. **Shipment-mark:** It refers to the marks and numbers leveled on the packages to ensure identification at the port of destination.
  
- ix. **Amendment:** This means a change in terms and conditions of the letter of credit. This is needed change in stipulations as agreed upon between the buyer and the seller.
  
- x. **Payment under Reserve/Indemnity:** This refers to disbursement of money to the beneficiary “provisionally” against an acceptable indemnity furnished by the beneficiary concerned. These guards against payment under a discrepant document.
  
- xi. **Discrepancy/ies:** Obligation of an issuing bank under a letter of credit takes place in case the documents are complied with the terms and conditions of the credit. If the documents are inconsistent with the stipulations of the letter of credit, then the documents said to be discrepant. Issuing bank does not have any obligation to pay under a discrepant document.
  
- xii. **Confirmation:** In case of less reputed issuing bank, the shipper/beneficiary of a letter of credit may desire for confirmation by the advising bank or a first class third bank. The confirming bank undertakes the commitment to pay the beneficiary in case the issuing bank fails to honor the claim of the beneficiary/negotiating bank.
  
- xiii. **Date of Negotiation/Validity:** It is the latest date by which the shipper should submit the documents to the negotiating bank. Generally, it is the expiry date of the letter of credit.
  
- xiv. **With Recourse:** A banker discounts or purchases or negotiates a bill of exchange “with recourse” for a customer means that the bank can claim the amount of bill from the customers in case of dis-honor or returned unpaid.

- xv. **Without Recourse:** In case a drawer or an endorser of a bill adds the words “without recourse” along with his signature, it means that he is not taking any liability with regard to non-payment of the bill by any subsequent holder. Such a clause will make the bill less easily negotiable.
- xvi. **Negotiation:** As per the Article 10(ii). Of UCPDC 500, “Negotiation means the giving of value for Draft(s) and/or document(s) by the bank authorized to negotiate. Mere examination of the documents without giving of value does not constitute a negotiation.”
- xvii. **Acceptance:** The drawee’s acknowledgement of the liability on a bill of exchange in writing on the instrument itself. The signing by the drawee on the face of a bill with the word “Accepted” signifies his assent that he will pay the bill on maturity.
- xviii. **Purchase Vs. Discount:** A bill is purchased by payment of the value at OD Sight rate. If the bill is discounted, respective long rate or usance rate is applied. Net value at that rate is paid at the time of initial transaction.
- xix. **Deferred Payment:** Deferred Payment means delayed payment. When payment by arrangement is delayed and deferred to pay on future date it is called deferred payment. Seller, while quoting the price of goods on deferred credit/payment basis, adds the deferred period’s interest with the actual cost of goods/commodity.
- xx. **Usance Bill:** A bill of exchange that is drawn in accordance with the custom of the particular trade e.g. some bills may be drawn 30 days sight, 60 days sight etc.



### **3.4 Step by Step Process of Documentary Credit:**

Documentary Credit (DC) is a definite undertaking given by a bank (Issuing Bank) at the request of a customer (Applicant) or on its own behalf to make payments to a beneficiary/exporter subject to submission of stipulated documents provided all terms & conditions of the credit are complied with.

#### ***1. Parties to a Documentary Credit:***

- i) Importer/Buyer/Applicant,
- ii) The Beneficiary/Exporter/Seller
- iii) The Issuing Bank
- iv) The Advising Bank
- v) The Negotiating Bank
- vi) The Confirming Bank
- vii) The Paying/Reimbursing Bank

#### ***2. Issuance of a Documentary Credit:***

**The client, on whose behalf the credit is issued, should have the following characteristics:**

- i. Account holder of the bank
- ii. Good for transaction
- iii. Integrity
- iv. Credit Worthiness

### 3. Application for Issuing Letter of Credit:

The importer would apply on bank's standard form to his bank (say, Modern Bank) for issuing a letter of credit. In addition to recording the full details of the proposed credit, the application also serves as an agreement between -he bank and the buyer. The credit application must be clear and precise and generally included the following items:

- ⇒ Full name and address of the supplier, manufacturer or beneficiary (including his bank).
- ⇒ Opener's name and address (including import licence no. etc.)
- ⇒ The total amount of credit asked for and whether the credit is a
- ⇒ Specific credit or a revolving letter of credit and amount of the currency in which the documents are to be drawn.
- ⇒ The type of credit to be opened, i.e. whether revocable or
- ⇒ Irrevocable, confirmed or unconfirmed, transferable etc.
- ⇒ The terms of sale, i.e. whether the contract is on CIF, *C Ec F*, FOB basis.
- ⇒ The risks to be covered under the policy and the amount of insurance.
- ⇒ Brief description of goods including quantity, quality and unit price.
- ⇒ The terms of payment; Whether on DA (Documents against
- ⇒ Acceptance) or DP (Documents against Payment) basis.
- ⇒ Specified documents required, such as, invoice, bill of lading, marine
- ⇒ Insurance policy, certificate of origin, consular invoice, certificate of analysis, packing lists etc.
- ⇒ Place of shipment, destination and latest dated for shipment.
- ⇒ The details of the mode of shipment and the documents which are to accompany the bill of Exchange, viz, Airway Bill or Air Consignment. Note, Bill of Lading or Post Parcel Receipt, whether part shipment or transshipment will be allowable.
- ⇒ The date up to which the credit will remain valid and the dated within which documents should be presented for negotiation.
- ⇒ Method of advice of credit, whether it should be sent by mail, telecommunicated or electronically conveyed.

***4. The importer must submit the following papers along with L/C application before opening letter of credit:***

- i) Import License/Authorization form or Import Registration Certificate as the case may be.
- ii) Indent/Performs invoice
- iii) Insurance cover note
- iv) IMP forms and other documents/papers etc.

**5. On receipt of credit application along with the importer's requisite papers, the bank takes, into consideration the following points:**

i. The credit standing of the applicant is an important consideration. Moreover, the amount of proposed credit, together with the drafts drawn under credits opened previously on behalf of the customer, should not exceed the total limit sanctioned for opening a letter of credit.

ii. The financial standing, market reputation and integrity of the customer to be examined.

iii. The nature of commodity to be imported, its marketability and durability and stability of prices will be considered to determine the margin asked for by the banker for opening letter of credit.

iv. The Exchange and Import Trade Controls are supplementary and complementary to each other and so, before establishing a letter of credit, bank must ensure that the credits conform to Exchange Control and Import Trade Control Regulations.

v. The marine insurance for transaction is adequate.

vi. The opening bank must also obtain a credit report of the beneficiary. The bank has to

satisfy itself that the exporter is a man of integrity and that he has the capacity to supply the goods contracted to be purchased by the importer. This may be necessary if the credit is for a large amount.

#### ***6. Shipment of consignment and lodgment of documents:***

There may be two types of exporter\_

- i) Merchant/Trade exporter
- ii) Manufacturer Exporter

If the supplier is a merchant exporter, he will immediately start packing and shipping the goods. If he is a manufacturer exporter, he will start manufacturing the item. In either case, he will ship the goods when ready and obtain full set of Bill of Lading etc. from the carrier company and submit the same to the negotiating bank along with other documents that are called for in the credit. The shipping documents usually obtained are:

- ✓ Bill of Lading or Air Consignment Note or Post Parcel Receipt or Truck receipt
- ✓ Bill of Exchange
- ✓ Commercial Invoice
- ✓ Certificate of origin
- ✓ Packing list
- ✓ Weight certificate
- ✓ Consular Invoice where necessary
- ✓ A copy of declaration of shipment made to the Insurance company (to be submitted with original shipping documents)
- ✓ Pre-shipment inspection certificate from internationally reputed surveyor.
- ✓ Analysis certificate where specification of commodity is given.

**7. Local Rules:**

- i. Guidelines for Foreign Exchange Transaction Regulation on Import (Guideline –chapter- XV)
- ii. The Import/Export Act – 1950
- iii. Import Policy for the year
- iv. Customs duty, VAT, SRO, Tariff
- v. Rate of Exchange and its Application
- vi. FE circular, IBD circular
- vii. Public Notice issued by CCI&E Office

**8. Uniform Rules:**

- i. *UCPDC–ICC Publication No-500*
- ii. URC- ICC Publication No-522
- iii. URR -ICC Publication No-525
- iv. INCOTERM -ICC Publication No-560
- v. Harmonized Commodity Description & Coding System (H. S. Code)

## **Part - B**

### **3.1 Foreign Remittance procedure:**

The word “Remittance” means sending of money from one place to another place through post and telegraph. Commercial Banks expose this facility to its customers by means of receiving money from one branch of the bank and making an easier arrangement for payment to another branch within the country.

Foreign Remittance section of EXIM Bank Ltd, Main Branch is an integral of Foreign Exchange Department. And its section of Foreign Exchange Department deals with incoming & outgoing foreign currencies. Therefore on the basis of its function, foreign remittance is divided into types. These are

1. Outward Foreign Remittance
2. Inward Foreign Remittance.

#### ***3.1.1 Outward Foreign Remittance:***

Remittances issued by EXIM Bank Ltd, Main Branch to foreign corresponding to fulfill its customer’s needs are considered to be the Outward Foreign Remittances. It comprises the following:

1. Issuing of Cash Dollar (Buy & Sell)
2. Issuing of Traveler Cheque (Buy & Sell)
3. Issuing Foreign Demand Draft (FDD)
4. Issuing of Foreign T.T (FTT)
5. Endorsement of foreign currencies in the passport
6. Maintain Foreign Bills Collection
7. Opening Foreign Currency account

8. Non Residential Foreign Currency Deposit A/C (NFCD)
9. Resident Foreign Currency Deposit A/C (RFCD)
10. Export Retention Quota A/C (ERQ Account)
11. Education File Open.

### ***1. Issuing of Cash Dollar:***

This types Bank Cash dollar buy & sell from customer. EXIM Bank provides Saarc Country Cash \$500 for Road; Cash \$1000 for Air. And bank provides Non Saarc Country Cash \$3000. This cash is divided Cash \$2000 is for Road & Cash \$1000 is Traveler Cheque.

### ***2. Issuing of Traveler Cheque:***

EXIM Bank issues only American Express Traveler's Cheque (TC). For TC, customer has to fill up from. He has to fill up the purchase from also. Purchase from has four copies. One copy for America Express Bank, one copy for EXIM Bank & two copy for the customer. For TC EXIM Bank charges 1% as commission.

#### ***2.1 Requirements for purchasing TC:***

There are some requirements that are to be fulfilled b y the Traveler's Cheque purchaser. The requirements are:

- ❖ Passport holder himself has to be present while issuing Traveler's Cheque.
- ❖ The passport must be a valid one.
- ❖ Air ticket has to be confirmed.

### ***3. Issuing Foreign Demand Draft (FDD):***

People have to send money to abroad for various purpose. EXIM Bank issues most of the FDD for the purpose of the payment of the application fees to the foreign universities. For the issuance of FDD, Form has to be filled in dully. This from is filled up under the foreign Exchange Regulation Act. This form contains:

- ❖ The purpose of travel
- ❖ Name of the country where the applicant will go
- ❖ Name of the air shipping company
- ❖ Passport number
- ❖ Date & place of issue of the passport are given.

This form has to be duly signed by the applicant. In case of application fee, the applicant has to mention the name of the university in whose favor the FDD is issued. EXIM Bank charges 15% for each FDD.

***Accounting Treatment:***

EXIM Bank gives the following entries while issuing FDD:

Client's Account/Cash	Dr.
Commission	Cr.
Vat	Cr.

***4. Issuing of Foreign T.T (FTT):***

Foreign Telephonic Transfer is an instrument for transferring currency by a telephonic message or swift from one country to another country. Generally it is instruction from the importer's bank to the exporters or some other bank in the exporter's country for transpiring of currency to a named person. Here the remitter bears the additional charges for swift/telephone. Charges for FTT are 15% of the principle amount and the additional charges for swift.

***5. Endoresment of foreign currencies in the passport:***

Cash foreign currency can also be remitted through the cash endorsement in the passport. In case of endorsing cash in the passport, the requirements are similar to those of Traveler's Cheque. But according to the foreign exchange Regulation Act, 1947 an individual cannot take more than \$1000.00 in cash in a year.



**6. Maintain Foreign Bills Collection (FBC):**

Foreign bill is to collection behalf of the foreign customer & local customer through Bangladesh Bank clearinghouse, outward bills for collection (OBC), and inward bills for collection (IBC).

**7. Opening foreign Currency Account:**

When a person goes to the foreign country, he/she is opened to the FC account. This FC account person is saving & drawing currency willingly.

**8. Non Residential Foreign Currency Deposit A/C (NFCD):**

Deposit are invested in a bank through opening of NFCD A/C. Person does expense different purpose in foreign country same amount are paid NFCD A/C.

**9. Resident Foreign Currency Deposit A/C (RFCD):**

RFCD is the credit card function. Bank issue the international credit card. Client can use this credit card foreign country. Clients are paid to bank credit card value.

**10. Export Retention Quota A/C (ERQ Account):**

This account open maximum business holder & company. A company sales his goods others company & others company purchased this goods. This selling & buying process are maintaining foreign currency.

**11. Education File Open:**

This is the normal process of education file open. When a student wants foreign study then he/she open education file. Education file open to bank for get the Student Visa.

**3.1.2 Inward Foreign Remittance:**

Normally, Inward Foreign Remittance comprises of all incoming foreign currencies. Remittance issued by the correspondent banks situated in the foreign countries & thereby drawn on EXIM Bank, Main branch are considered to be its Inward Foreign Remittance. Followings are the Inward Foreign Remittance of, Main branch.

1. FDD Payable
2. FTT payable
3. TC Payable
4. Encashment of foreign currencies endorsed in the passport
5. Purchase of foreign currencies.

### **3.3 A remitter can send money to the recipient in four ways:**

Considering this quick transaction, the modes of bank remittance are categorized as under:

#### Remittance

Pay Order (PO)    Demand Draft Order (DD)    Telegraphic Transfer (TT)    ELDORADO

#### **3.3.1 Pay Order (PO):**

Pay Order an instrument, which is used to remit money with in a city thorough banking channel the instruments are generally safe as most of them are crossed. A customer can purchase different modes of payment Order such as pay by cash and pay order by check.

#### **3.1 EXIM Bank charges different amount of commission on the basis of payment order amount**

Total Amount of PO	Commission
Up To 10000	TK. 29
10001-100000	TK. 69

100001- and above	TK. 138
-------------------	---------

### **3.3.2 Demand Draft (DD):**

Demand Draft is many popular instruments for remitting money from one corner of country another. The instrument is basically used for transfer and payment. Difference between pay order and demand draft is in terms of place only. PO is used for remittance money with in the city where as DD is used for within the country DD too, constitutes current liability on the part of a bank. At EXIM DD is not sold to people other than its customer.

Its may be paid in cash to the payee on proper identification or the amount may be credited to his account. EXIM Bank charges commission for DD is 0.15% of the principal.

#### **How DD works:**

1. The Application must be an A/C holder in EXIM Bank.
2. Applicant files up the relevant form with a credit voucher for the bank.
3. DD is handed over to the customer where paying bank is mentioned
4. And payment will be made from another branch.
5. An IBCA along with photocopy of DD is sent to the paying bank.
6. If DD comes to the bank on which it drawn, the bank honors it.

### **3.3.3 Telegraphic Transfer (TT):**

Telegraph transfer in one of the fastest means of transferring money from one branch to another or from one to another. The TT issuing bank instructs its counterpart by tested telex message regarding remittance of money. No instrument is given for TT both parties should have account, as money is transferred.

### **3.3.4 ELDORADO:**

ELDORADO is a secure web based and on-line Remittance Payment System. Presently ELDORADO has 8 (eight) member banks having 501 branches all over the country.

#### **Facilities of ELDORADO system:**

- On-line transactions on real time basis
- Fund transfer (inter bank and inter branch)
- Direct electronic payment substitutes
  - Demand draft
  - Telegraphic transfer
  - Mail transfer
  - Pay order
- Fully compliant with all relevant Bangladesh Bank regulations.

#### **Types of transactions:**

- Payment of foreign remittance in taka
- Transfer of inland remittance in taka.

#### **Mode of remittance in taka:**

- Payment of foreign remittance
  - Exchange house to bank A/C Pay
  - Exchange houses to pay cash for non-account holders
  - Exchange houses to “advice and pay”
- Transfer of inland remittance:
  - Customer A/C to Customer A/C transfer
  - Customer A/C to pay cash for non-account holders.
  - Customer A/C to advice and pay
  - Cash deposit by non-account holders to Customer A/C

- Cash deposit for cash payment ( both are non-account holder)

**Process of Remit fund through ELDORADO:**

**Step 1:** Client will deposits money to exchange housed or any of the 501 branches of member banks within Bangladesh.

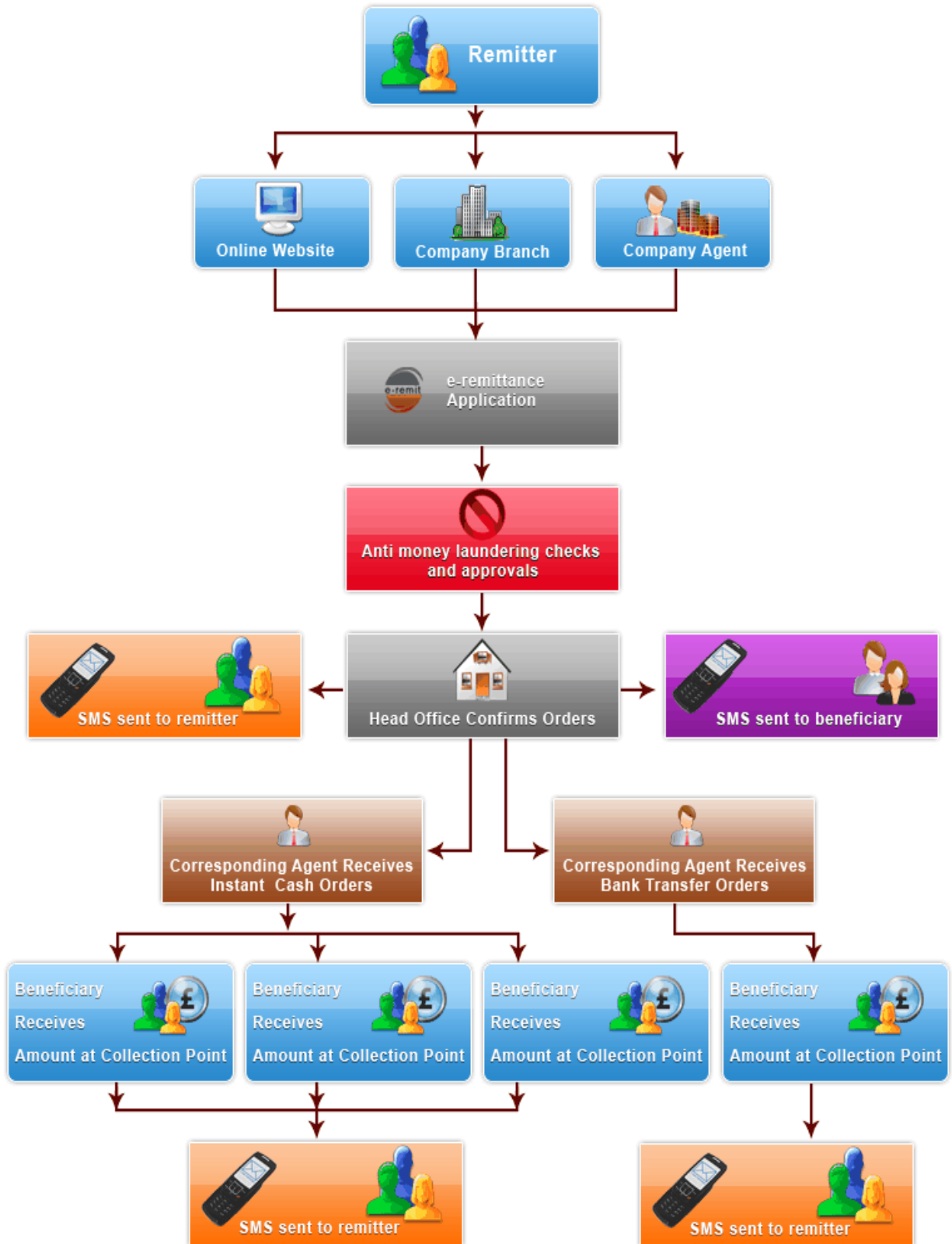
**Step 2:** Beneficiaries get notification by sms/e-mail from ELDORADO system

**Step 3:** Beneficiary draws the money from his account or receive cash from the branches within Bangladesh.

**Member of banks of ELDORADO as on 31<sup>st</sup> December 2009:**

- BANK ASIA
- EXIM BANK L.T.D.
- DHAKA BANK
- BRAC BANK
- MUTUAL TRUST BANK
- AL-ARAFAH ISLAMI BANK L.T.D.
- FIRST SECURITY ISLAMI BANK
- SOCIAL ISLAMI BANK L.T.D.

### 3.1 Flow chart of remittance process



## **Part - C**

### **3.1 Import Procedure:**

---

---

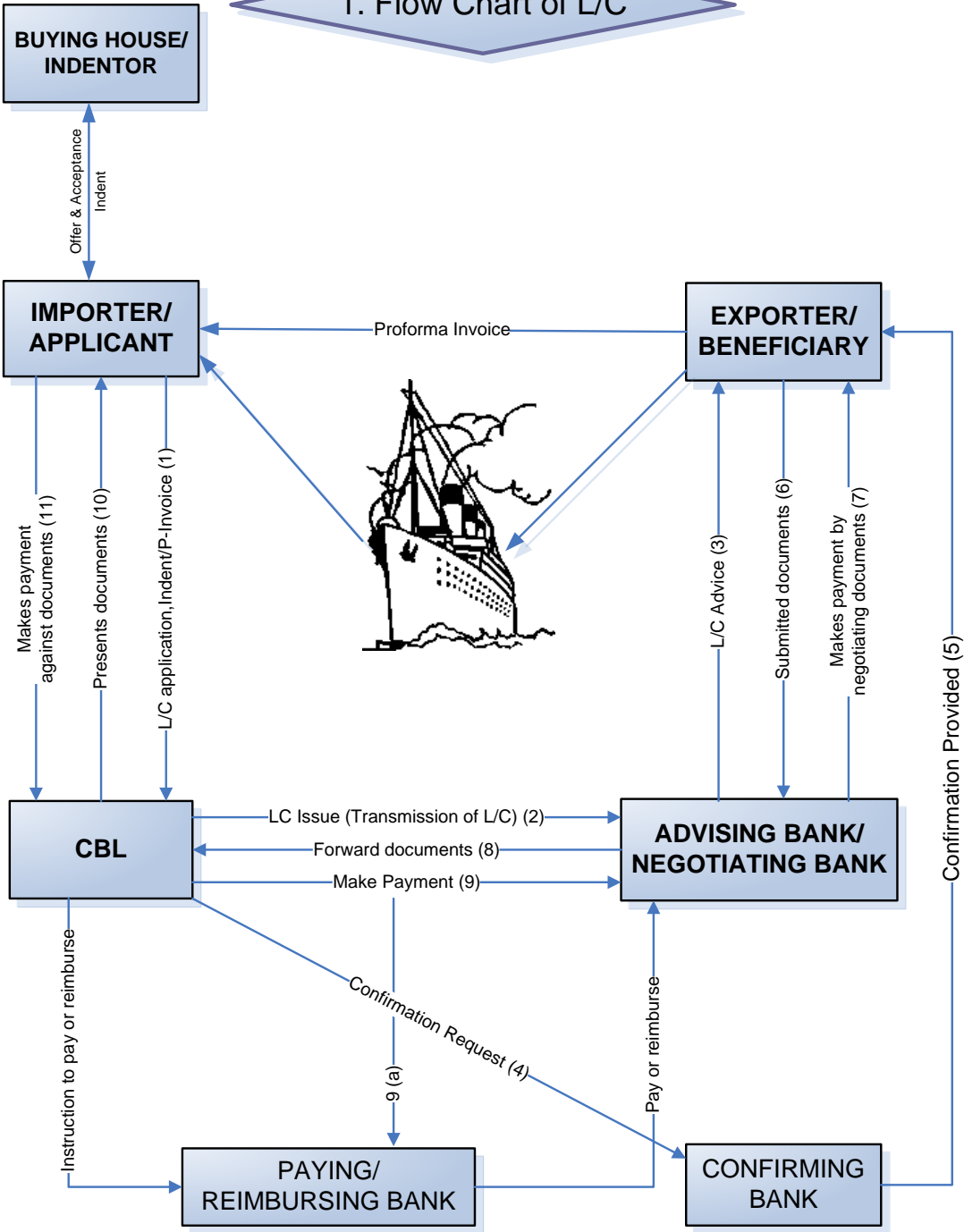
One of the important functions of the EXIM bank is to undertake import of merchandise into the country and payment of foreign exchange forwards the cost of the merchandise to foreign suppliers.

In almost all the countries of the world there is import trade control in one form or the other which supervises the import into the country and controls certain items of exports depending upon national exigencies. The main object of the import trade control is to conserve the scarce foreign exchange resources of the country with a view to meeting the needs of development of its expanding economy. In Bangladesh, the import of goods is regulated by the Ministry of Commerce in terms of the Import and Export (Control) Act, 1950, with Import Policy Orders issued biannually, and Public Notices issued from time to time by the Chief Controller of Import and Export (C C. I. & E) which payments for these imports are regulated by Central Bank, i.e. Bangladesh Bank, through its Exchange Control Department. So, Import Trade Control and Exchange Control are complementary and supplementary to each other.

According to the Imports and Exports Act, 1950 as adopted in Bangladesh any one willing to carry import business needs registration with the licensing authority, i.e. Chief Controller of Imports and Exports and its offices at the important trade centers of the country.

**Section: A**

1. Flow Chart of L/C



*3.2 Flowchart: Import Procedure of EXIM Bank*



The following documents are required to be submitted to the licensing authority for registration as importers:

- Questionnaire form duly filled in and signed;
- Income Tax registration certificate;
- Trade License from Municipal or Local Authority;
- Bank Certificate;
- Nationality Certificate;
- Partnership Deed where applicable;
- Certificate of Registration with the Registrar of Joint Stock Companies and Memorandum & Articles of Association in case of Private and Public Ltd. Co.
- Certificate from the Chamber of Commerce/Registered Trade Association;
- Ownership documents or rent receipts of the place of business ;
- Any other documents required under the relevant import policy.

On receipt of the application along with relative documents, the Chief Controller of Imports and Exports and its regional offices scrutinizes the documents and conducts physical verification (if considered necessary) and on being satisfied, requests the applicant to pay fees towards registration through treasury channels.

After submission of the above documents and payment of requisite fees, if the documents are found in order and the C.C.I & E is satisfied the Import Registration Certificate (IRC) is issued to the applicant importer.

The IRC is a security document issued under embossing seal and duly signed by authorized officials of C.C.I & E and to be kept under safe custody. The IRC is required to be renewed every year on payment of usual fees.

### 3.2 Licensing for Imports:

---

Most imports into Bangladesh require a license from the authority. From 1983-84 shipping banks have been entrusted with the responsibility of licensing imports in both industrial and commercial sectors. Licensing is done by commercial banks by means of a specially designed form known as letter of Credit Authorization Forms simply LCAF, LCA Forms are security documents printed by the respective bank. Bankers must not handover these to others. This form is in reality a substitute for the conventional import license.

The following documents are required to be submitted by the importer to his banker for licensing:

- ✓ The LCA Form properly filled in quintuplicate signed by the importer,
- ✓ L/C Application duly signed by the importer.
- ✓ Purchase contract i.e. indent for the goods issued by an indenter or proforma invoice as the case may be. iv. Insurance cover note.
- ✓ Membership certificate from a recognized Chamber of Commerce and Industry of Town Association or registered Trade Association.
- ✓ Proof of payment of renewal fees for the Import Registration Certificate.
- ✓ A declaration, in triplicate, that the importer has paid income tax or submitted income-tax return for the preceding year.
- ✓ In case of Public Sector, attested photocopy of allocation letter issued by the allocation authority, Administrative Ministry or Division specifying the source amount purpose, validity and other terms and conditions against the imports.

Any such documents as may be required as per instructions issued/to be issued by Chief Controller of Imports & Exports from time to time.

On receipt of the LCA Form and the other documents the bank should carefully scrutinize the documents and lodge the same in their respective registration books and duly verify

the signature of the importer put on LCA Form.

Any such documents as may be required as per instructions issued/to be issued by Chief Controller of Imports & Exports from time to time.

On receipt of the LCA Form and the other documents the bank should carefully scrutinize the documents and lodge the same in their respective registration books and duly verify the signature of the importer put on LCA Form.

### **3.3 Registration of LCAF with Bangladesh Bank:**

---

---

If foreign exchange is intended to be bought from the Bangladesh Bank against an LCAF it has to be registered with Bangladesh Bank's Registration Unit located in the concerned area office of the C.C.I & E. For such registration the Authorized Dealer to the concerned Registration Unit shall submit the LCAF, duly filled in and signed by the importer and authenticated by the Authorized Dealer. The unit will put a registration number on all the copies and emboss a security seal. The Authorized Dealers should ensure that this registration number of importer is invariably furnished on IMP form. Where the importer is exempted from such registration, a suitable mention of this fact should be made on the IMP form.

After registration the original and duplicate copies of the LCAFS will be delivered to be authorized representatives of the Authorized Dealers, The triplicate and quadruplicate copies will be passed on to the concerned area office of the CCI & E-the quadruplicate will be retained by the Registration Unit.

Where no registration on LCAFs is need, the Authorized Dealer will send the triplicate and quadruplicate copies to the concerned area office of the CCI&E, retaining the other copies with itself. Where and import is against a source of financing (foreign project loans, grants) usable through a specific designated bank, the nominated Authorized Dealer of the importer will forward to the designated bank the forward the designated bank will eventually forward the triplicate and quadruplicate copies of LCAF of the area office of the CCIE&E.

### **3.4 Issuance of license:**

---

---

LCA Form is a set in quadruplicate as mentioned above but licenses are issued in duplicate.

#### ***i. Custom Purpose Copy:***

The custom copy is to be presented to the custom authority together with a copy of the invoice attested by the banker through whom remittance will be made for obtaining clearance of goods imported.

#### ***ii. Exchange Control Copy:***

The Exchange Control copy is to be presented to the bank for opening a letter of credit or for making remittance of foreign exchange against imports made under the license. The bank should deal with the Exchange control copy of the license only.

On receipt of license, the importer is to make contract with the overseas supplier and arranges to obtain proforma invoice from them for the goods to be imported or will collect indent from the local agent of the supplier for the imports. He will then apply to the bank to open letter of credit in favor of foreign supplier.

### **3.5 L/C Application:**

---

---

For opening L/C the client have to submit to the bank an application in the printed formal of the designated bank. This is called L/C application, form which is also an agreement between the importer and the bank. The form is to be stamped under stamp Act. in force in Bangladesh. The importer must submit the LCA & IMP and indent or contract/purchase order/proforma invoice (duly accepted by the imported) along with L/C application.

The L/C application must be completed/ filled in and signed by the authorized person of the importer giving the following particulars:

- ✓ Full name and address of the supplier or beneficiary and importer.
- ✓ Brief description of the goods.
- ✓ L/C value for US\$ etc. (CFR value) which must not exceed the LCA value.
- ✓ The unit price, quantity, quality of the goods.
  
- ✓ Origin of the goods, port of loading and port of destination must be mentioned.
- ✓ Mode of shipment (Sea, Air, Truck or Rail etc.)
- ✓ Last date of shipment and negotiation time (must not be beyond 30days from the shipment date)
- ✓ Insurance cover note number and name of the company.
- ✓ Tenor of draft (i.e. sight/issuance/deferred etc.)
- ✓ Mode of advising L/C (i.e. airmail/full telex/short cable etc.)

Dealers should not under any circumstance, make remittance against any LCAF after the expiry of the above prescribed validity periods without first obtaining revalidation of the LCAF. They may, however, allow such remittances without obtaining revalidation only against foreign currency funds of Bangladesh nationals working abroad.

In case of shipment made by sea the date of shipment will be the date on the Bill of Lading

In case of imports by air, the date of the relevant consignment note/airway bill will normally be taken as the date of dispatch, provided this represents the date on which the goods left the last airport in the country from which the import is affected.

▪ ***L/C Amendment:***

Amendment of irrevocable letter of credit is not permissible without the joint consent of all the parties involved in documentary credit operation.

▪ ***Time Extension:***

A written application from the opener of L/C and signature of the opener to be verified.

A relevant license/LCA/Permit of the load/barter must remain valid up to that period the extension is sought. Increase of L/C amount may be done provided LCA covers the increase in amount.

L/C amount can be decreased provided the relevant indent is amended accordingly and with the consent of the beneficiary; each and every clause of L/C can be amended provided the parties involved in the L/C consents to it.

▪ ***Cancellation:***

A party can open L/C for import goods from the other country. But sometime between two party may face some problem like delay shipment, reshipment, post shipment payment procedure problem etc. then cancellation is required to solve such problem.

### **3.6 Shipment:**

---

---

To handle the goods for export in the port of shipment banks nominate clearing agents to handle the goods for pass on custom formalities. The bank from amongst the C & F agent of custom authority appoints clearing agents.

The clearing agent on behalf of the bank arrange shipping space in the overseas vessel as per shippers instructions and also pays all the relevant dues payable to the custom authority shipping company as freight, bank or the shipper is to reimburse these to the C&F agent to the debit of party account.

### **3.7 Lodgment of Documents:**

---

---

After shipment of contracted goods, the supplier prepares shipping documents and presents these to negotiating bank. On being satisfied that the documents are in order in terms of letter of credit, the negotiating bank makes payment to the supplier by debiting the opening bank's account, if any, maintained with it or claim reimbursement from another bank as stipulated in the reimbursement clause of letter of credit and forwards the shipping documents to the opening bank the importer is to be advised with full particulars of shipment to retire the documents against payment or to dispose the import document as per pre- arrangement, if any.

On receipt of the shipping documents from the negotiating bank, L/C opening bank should carefully examine these to ensure that they conform to the terms of the credit.

### **3.8 Payment:**

---

---

Payment if not done as per tenor of the draft, the matter must be brought to the notice of the foreign correspondent to ascertain the fate and or the reason for nonpayment. The exporter should also be informed in the matter to peruse the buyer for early payment. If payment is delayed beyond the tenor period the foreign correspondent may claim penal interest from the issuing bank for the delayed period. If a sight bill is not paid within 21 days from the date of purchase/negotiation the negotiating bank realize overdue interest from the beneficiary of the draft for the delayed period after 21 days at prescribed rate. In case of usance bill overdue interest is claimed for the period of delay for payment from the maturity date.

### **3.9 Common Discrepancies of the Import Documents:**

---

---

The following are the discrepancies usually found in the documentary operation:

- ✓ Inadequate number of invoices
- ✓ Submission of shipping documents after expiry of L/C 3. Late shipment
- ✓ State documents

- ✓ Stale B/L.
- ✓ Excess drawing
- ✓ Shipment made from and to ports other than those permitted in the relevant L/C.
- ✓ B/L not properly authenticated or full set not submitted.
- ✓ No indication of "Freight Prepaid"
- ✓ On board endorsement unsigned or not dated on the B/L.
- ✓ Difference in weight in the invoice & with certificate
- ✓ Specification of goods is not as per terms of L/C.
- ✓ Short submission of documents.
- ✓ LCA Number, Bangladesh Bank permission. No or Indenter's Registration number not mentioned in the Invoice.
- ✓ Good short shipped etc.

The above discrepancies must be carefully noted and referred to the Imported for acceptance otherwise Bank would be liable for any problems arising out of them.



## **Part – D**

### **3.1**

### **Export procedure:**

---

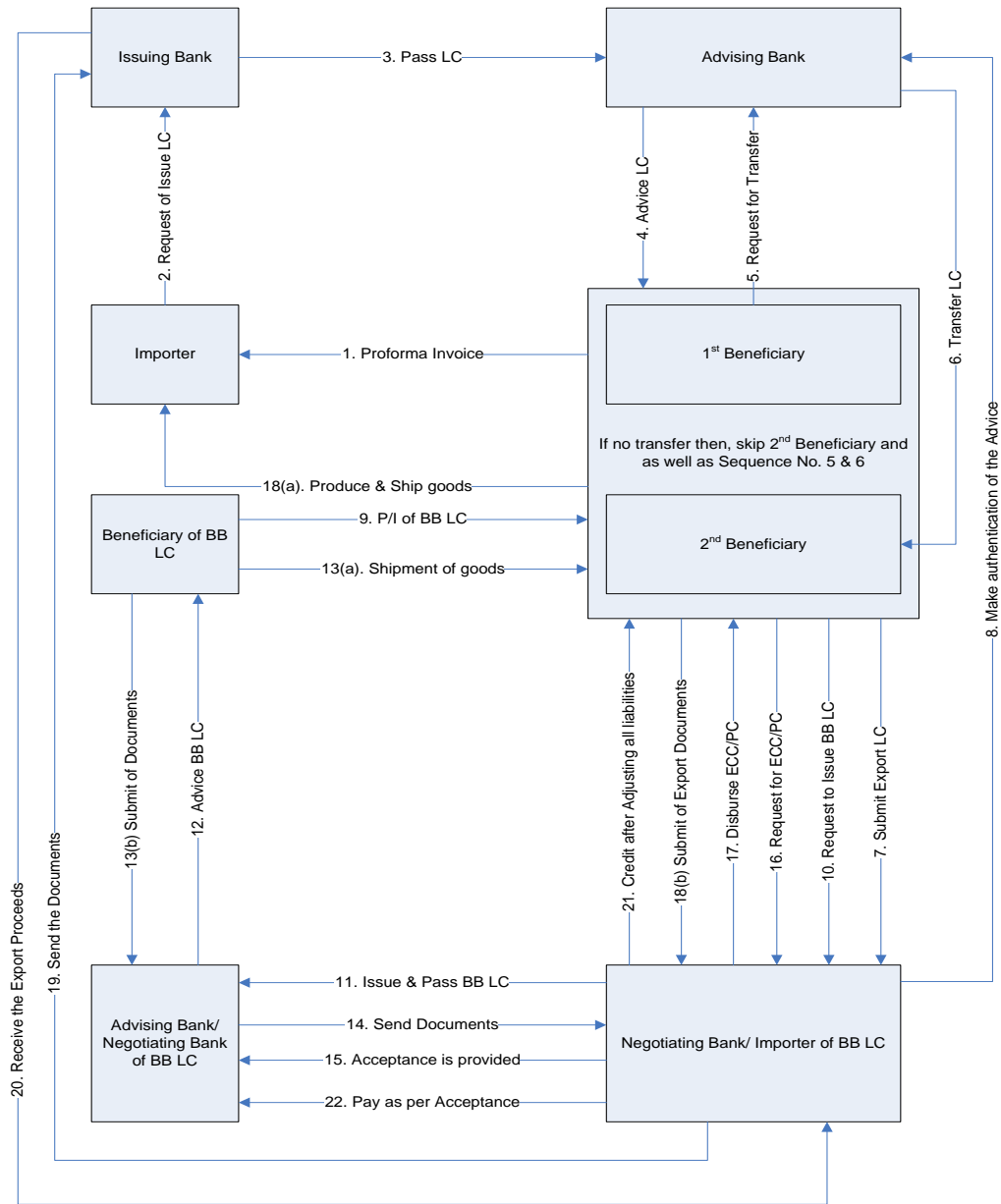
#### **3.1.1 Export Process Guidelines:**

All exports from Bangladesh are subject to export trade control exercised by the Ministry of Commerce through Chief Controller of Imports and Exports (CCI&E) under the provisions of “Import & Exports (Control) Act 1950” read with provisions of Importers, Exporters and Indenters (Registrations) Order, 1981.

The ensuing Export Process Guidelines have been presented in six (6) sections covering under mentioned areas:

- (I) Receiving export LC & advising to beneficiary
- (II) Procurement of raw material by opening BTB LCs or Export-Reprocessing LC.
- (III) Pre-shipment finance
- (IV) Export document scrutiny, processing and negotiation
- (V) Post shipment finance
- (VI) Proceed realization

## A. Flow Chart of Export L/C and Export Finance



N.B. The flow chart should be read in terms of number from sequence 1 to 22.

### *3.3 Flowchart: Export Financing Process of EXIM Bank*

## 3.2 Receiving export LC and advising to beneficiary

### Scrutiny of export/master LC:

---

---

On receipt of the Airmail LC or Cable/Telex/SWIFT LC (short or full), the branch should proceed in the following manner to scrutinize the LC after filling the checklist

- ❖ See whether the issuing bank is our correspondent bank.
- ❖ Verify the signatures appearing on the airmail LC with the specimen signature of the authorized officials of the issuing bank recorded with us.
- ❖ If the signature of the authorized official on the airmail LC differs, bring the same to the notice of the issuing bank immediately by mail/telex/SWIFT for proper authentication.
- ❖ See that the goods specified in the LC are permissible for export.
- ❖ Examine the terms and conditions of LC very carefully ensuring its conformity with the existing Guidelines for Foreign Exchange Transactions (GFET) or Trade Regulations. If any term or condition in the LC is not in accordance with these regulations, advise the issuing bank by telex (at beneficiary's or opener's cost) to get the terms and conditions amended. The beneficiary should also be kept posted with the developments in the matter.
- ❖ If the test number of the cable/telex LC does not agree or if the cable/telex is not a tested one, take up the matter at once with the issuing bank through telex for proper authentication and wait for the mail confirmation or tested telex confirmation. The charges incurred in this regard should be recovered from the beneficiary immediately. Only after receipt of mail confirmation or tested telex confirmation, LC should be advised to the beneficiary. Branches may however give preliminary notice to the beneficiary only for his information without any responsibility on our part.

- ❖ In absence of any such indication in the cable/telex LC advice, the branch may treat the cable/telex as the operative credit instrument and advise the beneficiary accordingly.
- ❖ Test number and signature to be verified in all cases.
- ❖ Where signatures cannot be verified or there is doubt as to the genuineness of the LC, a telex or any other kind of message should be sent to the Issuing Bank.
- ❖ In any event, no LC must remain unadvised for more than 4 days without the bank from who received, is contacted and informed.

### **3.3 Procurement of raw material by opening Back to Back LCs or Export-Reprocessing LC:**

---

---

#### ***1. Introduction:***

The word Back to Back is derived from the situation where one credit backs another. It may so happen that the beneficiary/seller of an LC is unable to supply the goods directly as specified in the Export LC. Consequently, beneficiary may need to purchase the same and make payment by opening a second Letter of Credit favoring the ultimate supplier. The second Credit in this case is called Back to Back Credit. The master LC (original LC) stands as underlying support or ultimate security.

Back to Back Credit is opened in conformity to the terms and conditions as stipulated in Master LC except the price of the goods, shipment period and validity of LC. In Back-to-Back Credit the price negotiated with ultimate supplier is quoted. The shipment period and validity of Back to Back Credit are given shorter than validity of Master LC. This helps the seller of the first credit to substitute his drafts, commercial invoices and other required documents for ultimate supplier's documents. These are the classical characteristic of a Back-to-Back LC. From the above, it is clear that BB LC will be similarly worded as the Master LC except in the following points:

1. Value of the BB LC may be curtailed
2. Shipment and presentation period may be earlier than the date stipulated in the Master LC in order to substitute own Invoice and Bill of Exchange.

## ***2. B2B LC as concept but used as export re-processing LC:***

In our country, however, as practiced widely, a Back to Back Letter of Credit means an export reprocessing LC. Such BB LCs are opened mostly for importing or procuring locally the raw materials needed to reprocess and manufacture the exportable merchandise. Value of BB Import letter of Credit is restricted up to a maximum amount of FOB value of the Master export LC. Branches may open BB LCs against export LCs received by export oriented industrial units (client of CBL) operating under the bonded warehouse system. This will be subject to observance of domestic value addition requirement stated in terms of permissible limit of CFR value of imported inputs as percentage of FOB export value of output, prescribed by the Ministry of Commerce from time to time.

The applicant of the BB LC is the beneficiary of the export LC (Master LC), who offers it as backup document to the bank for issuance of BB LC. As the applicant for the BB LC, the exporter is responsible for covering the bank for payment made against BB LC on due date regardless of whether or not he himself is paid under the Master LC at that point of time. Normally the import payment is made from the export proceeds but if export proceeds are not received in time, the applicant is allowed to purchase foreign currency to meet import liability on due date. Such purchase of FC is met from exporter's own resources or by creation of a Demand Loan Account.

### **3.4 Pre Shipment Finance**

---

---

Pre shipment Finance refers to an exporting transaction where bank facilitates export processing by extending funded lending facility or making commitments to discharge exporter's obligation. If the facility is funded CBL terms it as PCC or ECC. The extensively practiced non-fund commitment is called Back to Back LC or BB LC.

In this section, we shall discuss the funded lending aspect of Pre Shipment Finance:

***Packing Cash Credit:*** Pre-shipment finance allowed under the name of "Packing Cash Credit", is essentially a short term advance granted by the bank to an exporter to enable him to procure, process, manufacture, pack and ship the goods to the buyers abroad in conformity with the terms of Export Letter of Credit.

### **3.5 Export document processing and negotiation:**

---

---

#### ***1. Presentation of Documents to Bank:***

The exporters by exporting of goods to the importing countries submit the related export documents to the authorized dealing branch for repatriation/realization of export proceeds.

As per Guidelines for Foreign Exchange Transactions (GFET), all exports must be made through EXP forms which must be submitted with other export documents by the exporter within 14 days from the date of shipment of goods.

Besides EXP the other common documents usually constitutes a full set of export documents are:

- i. Bill of exchange or draft
- ii. Commercial invoice
- iii. Transport documents such as bill of lading/airway bill/truck receipt /railway receipt etc.
- iv. Packing list
- v. Inspection certificate
- vi. Country of origin
- vii. Export license
- viii. Bill of Exit
- viii. Freight Certificate (if on CRF basis)

### **3.6 Post shipment finance:**

---

---

Post shipment Finance refers to a transaction where bank extends finance to the exporter to cover him for the period between placement of export documents at bank counter and collection of export proceeds. Such finances are allowed to accommodate the exporter during this transition. Following are the financial product used in CBL for post shipment finance:

- a. Foreign Documentary Bills Purchased (FDBP)**
- b. Foreign Documentary Bills Discounted (FDBD)**
- c. Local Documentary Bills Purchased (LDBP)**
- d. Local Documentary Bills Discounted (LDBD)**

### 3.7 Proceed realization:

After getting advice from Head Office to the effect that the proceed is credited to Nostro A/C, the fund is realized from H.O. A/C and all the outstanding liabilities including PC, BB LC, FDBP etc. are adjusted. If the maturity date of the BB LC is on a later period the amount is kept in Foreign Bill Proceeds Awaiting for Remittance (FBPAR) A/C. Contingency Fund should also be built up and party may keep some of the proceeds to Retention Quota A/C. Then the rest amount is credited to exporters A/C and the file is closed.

### 3.8 Charges to the Foreign Exchange Transaction:

#### 3.2 How many charges to foreign exchange transaction:

##### Incase of import:

<u>Types of service</u>	<u>period</u>	<u>Rate of charges</u>
l/c opening commission under cash (100% cash margin)	1 <sup>st</sup> quarter	.25%
	for each subsequent quarter	.25%
	minimum	<u>1000</u>
l/c opening commission under cash (below 100% cash margin)	1 <sup>st</sup> quarter	<u>.40%</u>
	for each subsequent quarter	<u>.40%</u>
	minimum	<u>1000</u>
l/c opening commission under cash (loan/credit/barter)	1 <sup>st</sup> quarter	<u>.40%</u>
	for each subsequent quarter	<u>.30%</u>
	minimum	<u>1000</u>
l/c opening commission (	1 <sup>st</sup> quarter	<u>.40%</u>



back to back, l/c on account of export oriented garments, textile)		
	for each subsequent quarter	<u>.40%</u>
	minimum	<u>1000</u>
l/c opening commission for deferred payment	1 <sup>st</sup> quarter	<u>.50%</u>
	for each subsequent quarter	<u>.50%</u>
	minimum	<u>1000</u>
If l/c is transmitted by mail/ courier	India	<u>At actual cost</u>
	Other SAARC country	<u>At actual cost</u>
	All other country	<u>At actual cost</u>
If l/c is transmitted by swift		<u>750</u>

**Incase of export:**

<u>Types of service</u>	<u>Rate of charges</u>
Negotiating commission on export bill in foreign currency	<u>.15%</u>
Negotiating commission on export bill in local currency	<u>.15%</u>
Advising foreign bank l/c to local beneficiaries	<u>750 t.k.</u>
Amendment to above	<u>750 t.k.</u>
Transfer of export l/c	<u>750 t.k.</u>
Pre advising of export l/c	<u>750 t.k.</u>

Adding of confirmation	<u>.20% per quarter</u>
Issuance of P.R.C.	<u>500 taka/certificate</u>
Document under collection of foreign currency (where buying and selling allowed)	<u>.15%</u>
Document under collection of foreign currency (where buying and selling are not allowed)	<u>.15%</u>
Collection from foreign of foreign currency	<u>At actual cost plus 300 t.k. to be deducted from collected proceeds</u>

**Incase of inland:**

<u>Types of service</u>	<u>period</u>	<u>Rate of charges</u>
Opening commission	1 <sup>st</sup> quarter	.40%
	part	@.40% minimum t.k. 1000
Advising of I L C		750 taka
Inland document under collection in F.C. (Where buying and selling is not allowed)		@.15%
Inland document under collection in F.C./T.K. (Where buying and selling is not allowed)		@.15%

## **Chapter: 4**

### **Financial Analysis of EXIM bank L.T.D.**

#### **4. Sources and uses of Fund**

The composition of sources of bank fund is paid up capital, reserve and deposit from the customer and different banks. The bank uses the major portion of its fund for investment in loan and advances. The bank also invested in securities and shares. The surplus fund is applied in call money market to earn satisfactory returns.

Source: annual report

#### **4.1 Capital Analysis**

The bank started with an authorized capital of TK 1000 million and while its initial paid up capital was TK 225.00 million by the sponsors in the year 1999. the Capital and reserve of the Bank as on 31<sup>st</sup> June 2009 stood at 5,498,111,312 t.k. including paid up capital of TK. 2,677,746,000

The Bank also made provision on investments (shares and bond) which is amounted to TK. 2,976,105,858 up to 31<sup>st</sup> June 2009

Capital structure of EXIM Bank has changed from year to year. The components of the capital are paid up capital share premium, statutory reserve, proposed share dividend, retained earnings and other reserve.

#### 4.1 Authorized and paid up capital of EXIM Bank:

Year	Authorized Capital Tk in million	Paid up Capital (Tk.) in million
2009 up to 31 <sup>st</sup> june	3500.00	2677.74
2008	3500.00	2677.74
2007	3500.00	2 142.19
2006	2500.00	1713.75
2005	1000	313.88
2004	1000	253.13
2003	1000	225.00
2002	1000	225.00
2001	1000	225.00

#### Capital Position of EXIM Bank

##### 4.1.1 Capital and Reserve Fund:

The bank started its business with an authorized capital of Tk 1000 million while its initial Paid up capital was Tk. 225.00 million subscribed by the sponsors in the year 1999. The Capital Reserve of the bank as on 31<sup>st</sup> June 2009 stood at Tk. 184,530,136 including paid up capital of Tk. 2,677,746,000

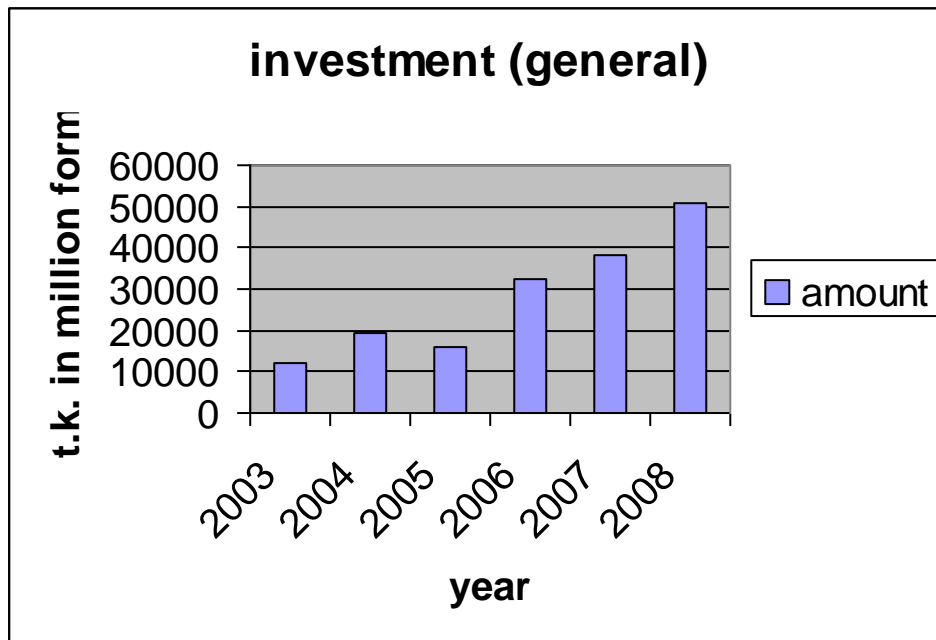
#### 4.1.2 Deposit Analysis:

Deposit is one of the principle sources of fund for investment of commercial bank and investment of deposit is the main stream of revenue in banking business. The total deposit of the bank stood at t.k. 65,211,919,360 million as on june2009 against Tk. 57,586,991,798 million of the previous year (December 31<sup>st</sup> 2008)

#### 4.2 Investment Analysis

##### 4.2.1 Investment (General):

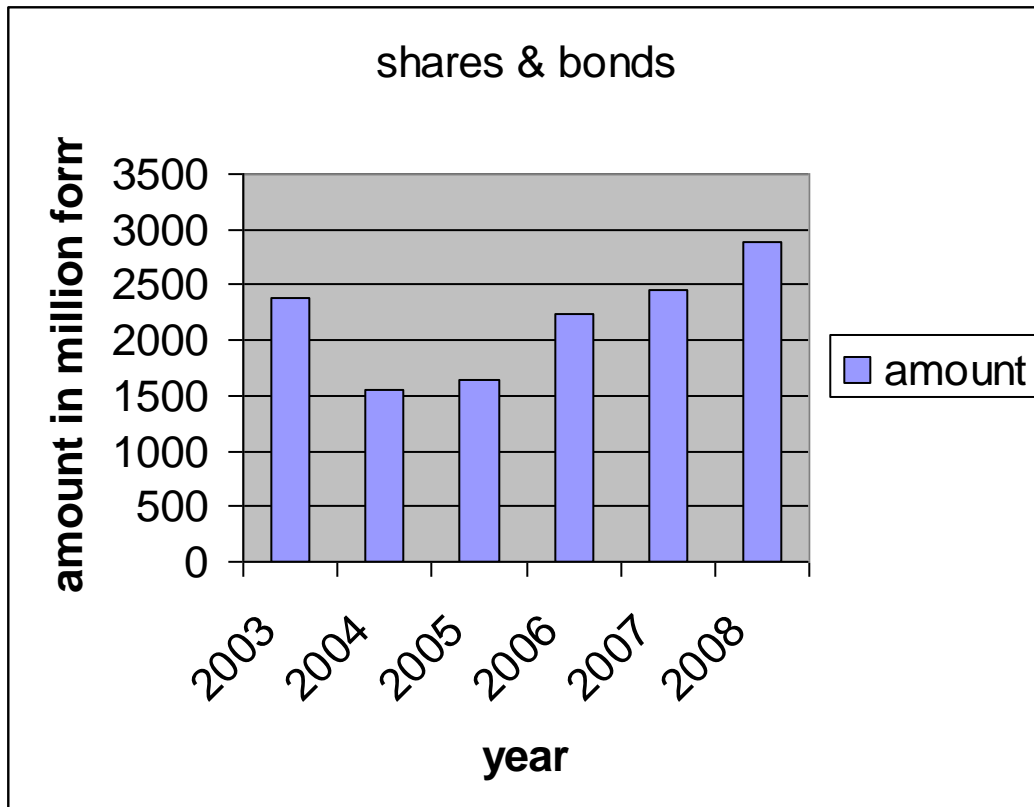
Total amount of Investment of the Bank Tk. 50838. 70million as on December 31, 2008 as against Tk. 38214.42 million as on December 31 2007 showing an increase of Tk. 12624.28 million. Investment is the core asset of a Bank. It gives emphasis to acquire quality assets and does appropriate lending risk analysis while approving commercial and trade investment to clients



4.1 Investment Situation

#### 4.2.2 Investment (Share & Bonds):

The size of the investment portfolio in 2009, up to 31<sup>st</sup> December is Tk. 2894.02 million while it was Tk 2457.71 million in December 2007. The portfolio companies Islamic Investment Bond, Shares and Prize Bonds.

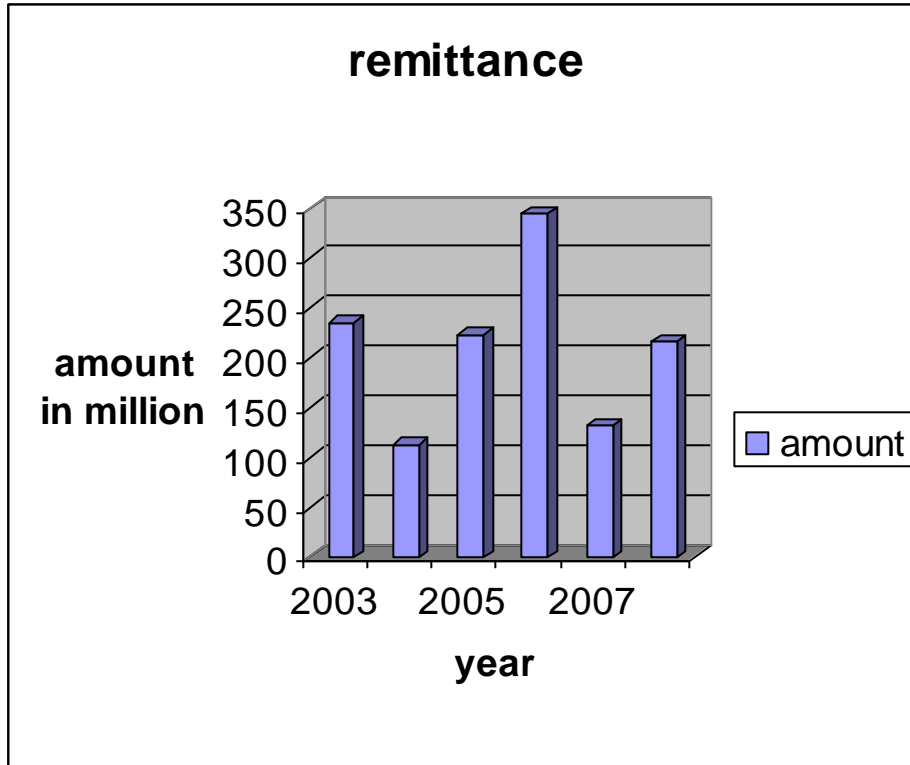


4.2 Investment (Share & Bonds)

From the graph we can see that the investment in share and Bonds has been decreased in 2005 and 2006 compared to 2008. The reason is that, *the rate of return in other investment is much higher than investment in share and Bond*. Moreover, EXIM bank was able to invest in other sectors. If we compare the general investment and investment in bond and share, we can see that general investment is much higher.

### 4.3 Remittance Analysis:

It stood at Tk. 215.97 as of 2008 against 131.71 of 31<sup>st</sup> December 2007.

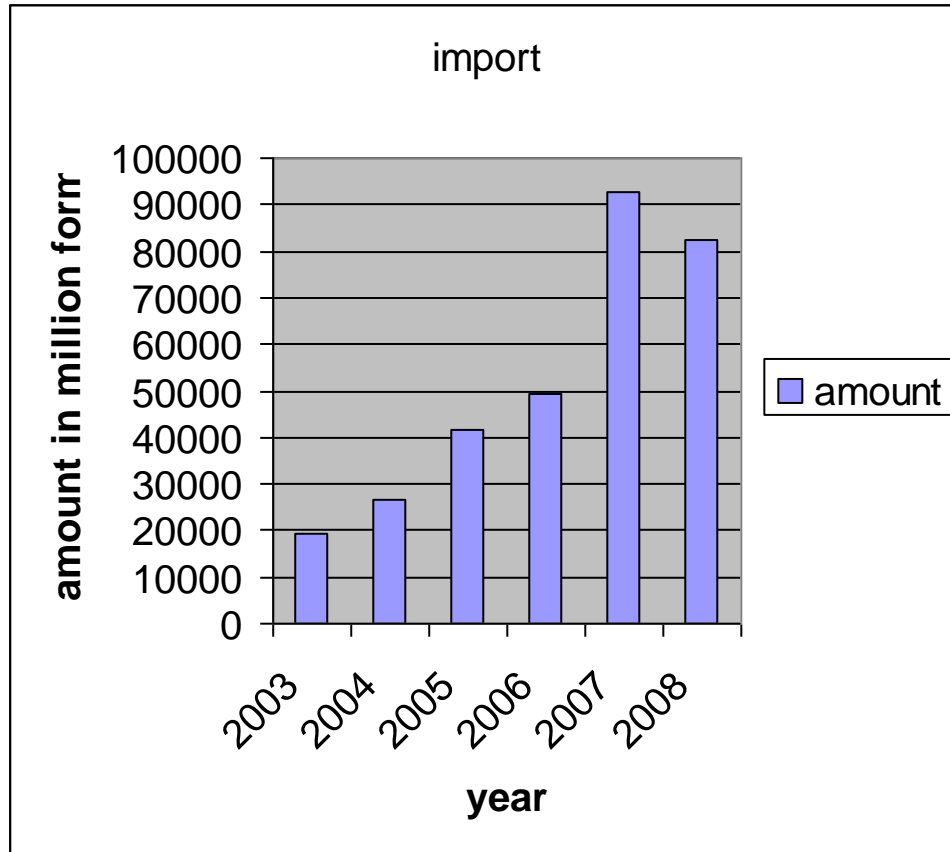


4.3 Remittance

From the graph we can see that the import has decreased in 2007 compared to 2008, but the year 2006 has got the highest rate of remittance.

## 4.4 Import Analysis:

It stood at Tk. 82591.07 (in a million) as of 2008 against 92602.31 of 2007.



4.4 Import

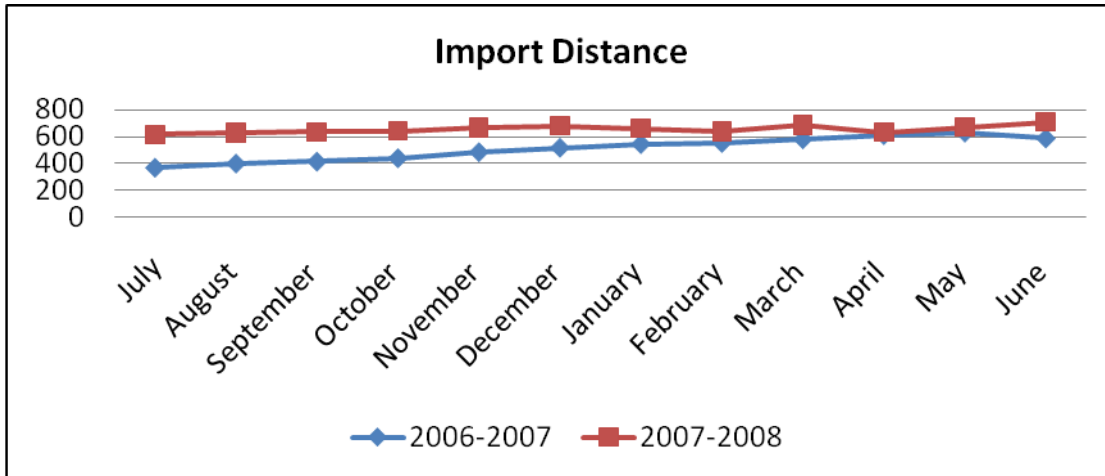
From the graph we can see that the import has decreased in 2008 compared to 2007.



## **4.5 Monthly Review of Import Payments:**

4.2 Monthly change of Import: (Corer BDT)		
Period	Import Receipts	
	<b>2006-2007</b>	<b>2007-2008</b>
July	370.25	615.20
August	401.39	626.50
September	415.20	633.10
October	440.56	640.65
November	485.67	665.50
December	517.98	680.35
January	545.35	659.13
February	553.70	636.15
March	580.50	687.40
April	611.65	630.10
May	630.50	671.56
June	587.18	708.41
Total	6139.94	7854.05

RE: Statistics department, EXIM Bank.



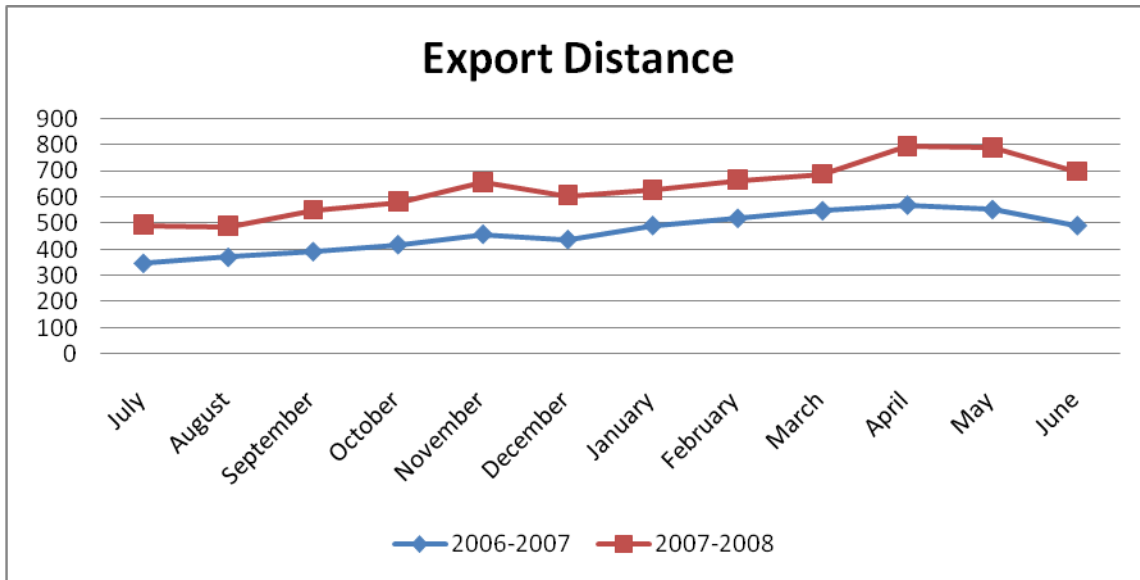
**Figure: 4.5- Monthly change of Import of EXIM Bank**

If import is more than export then a lot of foreign currency goes out from our country. We are losing more foreign currency than we are getting.

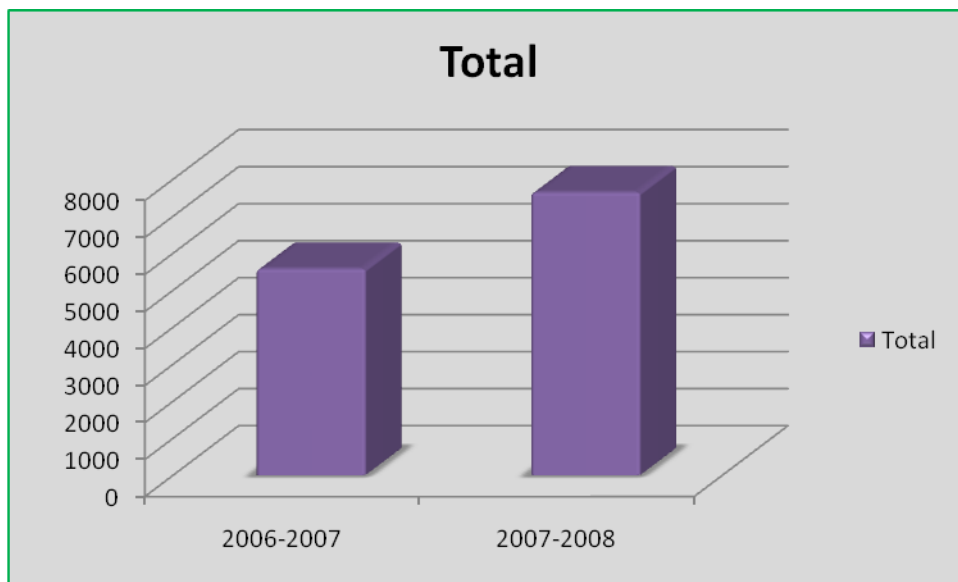
**4.6****Monthly Review of Export Receipts:****4.3 Monthly change of Export:****(Core tk)**

Period	Export Receipts	
	<b>2006-2007</b>	<b>2007-2008</b>
July	345.57	493.80
August	368.55	487.82
September	390.23	550.55
October	416.85	581.80
November	456.90	656.65
December	436.61	606.15
January	490.20	627.00
February	517.80	665.66
March	546.71	689.25
April	568.40	795.36
May	551.26	788.29
June	489.96	698.23
Total	5579.04	7646.56

**RE: Statistics Department, EXIM Bank.**



**Figure: 4.6- Monthly change of Export of EXIM Bank**



**Figure: 4.7- Export of EXIM Bank in 2006-2008**

As the export has increased compared with import-incoming foreign exchange has increased also.

## 4.7 Ratio Analysis:

**Ratio on classified investments and total investments** in 2008 is 1.88%, and in 2007 is 1.58%

**Return on investments (shares and bonds)** in 2008 is 2.03% and in 2007 is 8.77%

**Return on assets (after tax)** in 2008 is 1.83% and in 2007 is 2.00%

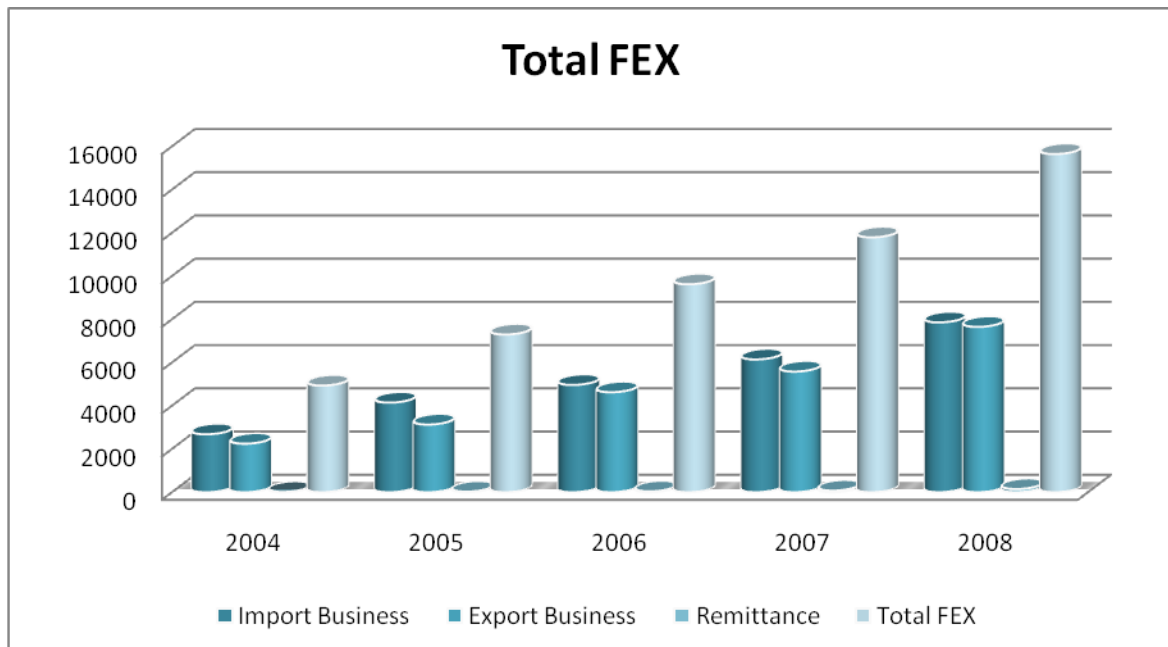
**Price earning ratio (times)** in 2008 is 7.85 and in 2007 is 11.28

**Earnings per share** in 2008 is 4 0.95 and in 2007 is 34.76

## **4.8 Foreign trade of Overall EXIM Bank:**

<b>4.4 Foreign Trade overall EXIM Bank</b>					<b>(Corer Tk.)</b>
<b>Item</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Export	2241.84	3128.50	4623.46	5579.04	7646.56
Import	2678.10	4143.20	4959.67	6139.94	7854.05
Remittance	11.31	22.30	34.38	71.03	142.85
Total	4931.24	7294.00	9617.51	11790.01	15643.46

**RE : EXIM bank international division**



**Figure: 4.8- Foreign trade of Overall EXIM bank.**

## 4.9 Trend Analysis:

Here, the trend of export, import, remittance and the total foreign exchange income has been revealed through indirect method of time series analysis by using five years data.

The model of Time series analysis is

$$Y = a + bt$$

Here,  
**a = Constant**  
**b= Slope**  
**Y= Dependent variable**  
**t = Time**

### 4.9.1 Export Trend

Export is an influential tool for foreign exchange business. Any cause a huge decrease in foreign exchange income as well as profit business for last five years is presented here.

**Table-4.5**  
**Calculation for export trend**

Year (n)	Export (Y)(corer)	Time (t)	Yt	t <sup>2</sup>
2004	2241.84	-2	-4483.68	4
2005	3128.50	-1	-3128.50	1
2006	4623.46	0	0	0
2007	5579.04	1	5579.04	1
2008	7646.56	2	15,293.12	4
n = 5	ΣY =23219.40	Σt = 0	ΣYt=13259.98	Σt <sup>2</sup> = 10

Now,

$$\begin{aligned}
 a &= \Sigma Y / n \\
 &= \\
 &= 23219.4 / 5 \\
 &= 4643.88
 \end{aligned}$$

$$\begin{aligned}
 b &= \Sigma Yt / \Sigma t^2 \\
 &= \\
 &= 13259.98 / 10
 \end{aligned}$$

So the equation for Export Business is

$$Y = 4643.88 + 1325.998 t$$

Here, Y = Export business of EXIM Bank Ltd.

This equation indicates the export business of the bank will be increased by Tk.1325.998 corer per year.

EXIM Bank's export business is dominated by garments sector. As the garments industry is enjoying a positive growth, this has also a consequence in the export business of EXIM Bank Ltd.

#### 4.9.2 Import Trend

Import is another influential tool in foreign exchange business. Variation in import business may cause a large change in the total foreign exchange business as well as the bank's business as a whole.

**Table-4.6**  
**Calculation for import trend**

Year (n)	Import (Y)(corer)	Time (t)	Yt	t <sup>2</sup>
2004	2678.10	-2	-5356.20	4
2005	4143.20	-1	-4143.20	1
2006	4959.67	0	0	0
2007	6139.94	1	6139.94	1
2008	7854.05	2	15,708.10	4
n = 5	$\sum Y = 25774.96$	$\sum t = 0$	$\sum Yt = 12348.64$	$\sum t^2 = 10$

Now

$$a = \frac{\sum Y}{n}$$

$$= \frac{25774.96}{5}$$

$$b = \frac{\sum Yt}{\sum t^2}$$

$$= \frac{12348.64}{10}$$

$$= 1234.864$$

So the equation for import business is

$$Y = 5154.992 + 121234.864 t$$

Here, Y = Import business of EXIM Bank Ltd.

This equation indicates that the import business of the bank will be increased by Tk.1234.864 corer per year.

### 4.9.3 Remittance Trend

Like export and import, remittance has also a strong influence on foreign exchange business as well as bank's total business. Here is the time series analysis of remittance.

**Table-4.7**  
**Calculation for remittance trend**

Year (n)	Remittance(Y)(corer)	Time (t)	Yt	t <sup>2</sup>
2004	11.31	-2	22.62	4
2005	22.30	-1	22.30	1
2006	34.38	0	0	0
2007	71.03	1	71.03	1
2008	142.85	2	285.70	4
n = 5	∑Y = 281.87	∑t = 0	∑Yt = 401.65	∑t <sup>2</sup> = 10

Now,

$$\begin{aligned}
 \mathbf{a} &= \frac{\sum Y}{n} \\
 &= \frac{281.87}{5} \\
 &= \mathbf{56.374}
 \end{aligned}$$

$$\begin{aligned}
 \mathbf{b} &= \frac{\sum Yt}{\sum t^2} \\
 &= \frac{401.65}{10} \\
 &= \mathbf{40.165}
 \end{aligned}$$

So the equation for remittance business is

$$\mathbf{Y = 56.374 + 40.165}$$

Here, Y = Remittance business of EXIM Bank Ltd.

This equation indicates the remittance business of the bank will be increased by Tk.40.165 corer per year.



The reason behind the increasing trend of remittance is the satisfactory performance of the bank. EXIM Bank Ltd. has agreement with many money exchange situated in different countries. So, it is convenient for the people to send currency in time. For this the bank is enjoying a growth in remittance business.

#### 4.9.4 Foreign exchange business Trend

The income from the foreign exchange business includes two type of income. One is commission and the other is exchange gain. Here is the Time series analysis of foreign exchange income.

**Table-4.8**  
**Calculation for foreign exchange business trend**

Year (n)	FX Income (Y) (corer)	Time (t)	Yt	t <sup>2</sup>
2004	4931.24	-2	-9862.48	4
2005	7294.00	-1	-7294.00	1
2006	9617.51	0	0	0
2007	11790.01	1	11790.01	1
2008	15643.46	2	31286.92	4
n = 5	∑Y =49276.22	∑t = 0	∑Yt=25920.45	∑t <sup>2</sup> =10

Now,

$$\begin{aligned}
 \mathbf{a} &= \mathbf{\Sigma Y / n} \\
 &= \\
 &\mathbf{49276.22 / 5}
 \end{aligned}$$

$$\begin{aligned}
 \mathbf{b} &= \mathbf{\Sigma Yt / \Sigma t^2} \\
 &= \\
 &\mathbf{25920.45 /}
 \end{aligned}$$

So, the equation for foreign exchange income is

$$\mathbf{Y = 9855.244 + 2592.045 t}$$

Here,  $Y$  = Foreign exchange income of EXIM Bank Ltd.

This equation indicates the foreign exchange income of the bank increased by Tk.2592.045 corer per year. As the foreign exchange business is increasing year by year. From the trend analysis it is found that the EXIM Bank Ltd. is enjoying a positive growth in foreign exchange business. Definitely this is a positive sign for the bank and this growth will help the bank in achieving its target.

In this age of globalization the demand for foreign exchange business is increasing day by day. It is also true for EXIM Bank Ltd. Foreign exchange business is one of the most influential businesses for the bank and a major source of revenue. For showing the significance of foreign exchange business on the profitability of the bank simple regression analysis and multiple regression analysis has been done. Software SPSS 11.5 is used to do this statistical analysis.

#### **4.10 Comparative Analysis between Exim and others bank:**

In my survey I found that, most of the bank had started their remittance service as early as possible. All the bank has engaged in remittance service in order to earn profit from this service.

Every bank needed a declaration when from Bangladesh bank and the recipient, when the amount exceeds \$2000 and all the tractions are kept in a record book.

Every bank had told, that T.M.(Table and miscellaneous) form has needed to fill, when customer want to send currency to abroad. Form “C” has needed to fill when currency come from abroad.

Most of the bank try to provide the fund to the recipient account with in 1 (one) day. Recipient can easily withdraw money from his account, if remittance comes. Funds are made available to the recipient account in form of taka.

If the recipient does not know whether the remittance has availability or not, in that case the bank will call the recipient.

Every bank ensures that, there are no chances of fraudulent. If there any mistake happens, then, at 1<sup>st</sup> branch inform the head office and then head office informs the abroad bank about the mistake, or if there is a dispute between remitters, recipient and the bank; then all related document would be verified. But I don't think so, because a recently news has published, which show, that there is a chance of fraudulent in banking sector.

Remitters or recipients can not know the exchange rate the exchange rate before engaging in the transactions. As a result the banks are always gainer. They protect themselves from fluctuation by this way, Example: If currency rate is 69.5/dollar, then the bank provides 69/dollar to the recipient account.

Most of the banks, does not charges any fees to the remitter and the recipient, before engaging in the transactions. But, in case of export and import every bank charges a little amount. Example: EXIM Bank charges 3.5% on the actual amount.

Exim bank has total value of remittance process is 19 lack 11 thousand averages per month in dollar. This is very good to see, cause in my survey I have found, that the other competitor banks doesn't achieve this amount in the remittance process.

The exchange house has a vital role in remittance processes. Those who has more exchange house, they will be benefited more. But I'm sorry to say, that EXIM bank doesn't have so many exchange house.

#### **4.11 SWOT Analysis:**

The Bank's strength and competitive capabilities can be shown by the SWOT analysis. The SWOT analysis is grounded in the basic principle that strategy-making efforts must aim at producing a good fit between a company's resource capability and its external situation. The SWOT analysis of EXIM Bank Limited is as follows:

The acronym SWOT stands for:

The SWOT analysis comprises of the organizations internal strength and weakness and external opportunities and threats. SWOT analysis gives an organization an in sight of what they can do in future and how they can complete with their existing competitors. This tool is very important to identify the current position of the organization relative to others and is grounded in the basic principle that strategy-making efforts must aim at producing a good fit between a company's resource capability and its external situation, which are playing in the same field and also used in the strategic analysis of the organization.

Figure 4 in the next page summarizes the strengths, weakness, opportunities and threats of standard chartered bank.

##### **a) Strength**

**Reputation of the Bank:** Since the inauguration the bank has managed their activity with their own images to serve their customers. They have provided services successfully and have achieved goodwill among the Shariah Based Banks. The Bank is opening with its efficiency and integrity.

**Sponsor:** EXIM bank has sponsors from various sectors of Bangladesh. The most successful entrepreneurs from various sectors started this company. As a result there was a combination of different thoughts and skills in the management of the bank, which is very much essential for success in today's competitive market.

**Top Management:** EXIM bank has a very competent and experienced top Management. The current Managing Director Mr. Mohammed Lakiotullah has banking experience for a long time period. He had the experience of marketing and customer relationship management in his long career. This has helped the bank to achieve its goal.

**Shariah Based Banking:** EXIM bank is operating based on Islamic Shariah. As Bangladesh is a Muslim country, the Shariah banking has been able to attract customers and achieved a great success in the private banking sector.

**Branches:** EXIM bank is operating their business all over the country with 30 branches and still planning to expand their business by opening new branches in the country. It has strengthened the distribution of the bank's services.

#### **b) Weakness:**

**Promotion:** The bank does not any formal promotional activity. They do not give any sort of advertisement or do not have any marketing activity. They do not even too many bill boards. This is why they are far behind the competitive in the private banking. Even some people do not know that EXIM Bank is operated according to Shariah. Some people think EXIM Bank is responsible for Import and Export only.

**Remuneration:** The remuneration of the officers of EXIM bank is lower compared to other private banks. Even the internship students are paid nothing. This is why high skilled human resources are discouraged to join here.

**Internee:** EXIM do not control the Internees. As intern want to adjust the official rules & regulations, but EXIM bank have not control on the INTERN. When an Intern comes in the bank, outside the bank, are they learning from the bank?

**Online Banking:** Though EXIM bank has introduced Automation in banking service, but the network is not strong. Even most of the general clients do not know about the online banking. Here online service charge 100/- monthly and after one year will 1200/-, if as a client use or not use. And as client if you registered in online services from then they will take service charge from the client.

**Centralization Decision Making:** The decision making of the bank is too many centralized. No decision is made without the authorization of the head office. Sometime some quick decision is needed to be taken, but from the branch, no one can make decision. It is one of the major draw back of the bank.

### **c) Opportunity:**

**Consumer Banking:** EXIM bank is operating corporate banking. In our country there is a huge opportunity of consumer banking. So EXIM bank can reposition their branding and introduce consumer banking with corporate banking.

**ATM:** The banking sector of the country is becoming modernized in the country. People like to draw money any time from anywhere. So ATM card is getting popularized in the country. EXIM bank can introduce ATM system in their bank. More Over, Shariah Based banks are not providing ATM cards. So those who want ATM card but do not like interest, they can be attracted by ATM card issued by a Shariah Based Bank.

**More Branches:** The economy of the country is expanding. The business outside Dhaka is also expanding. As a result, the demand for banking service is increasing day by day. So EXIM bank can open more banks in the country and can expand their business.

**Shariah Based Banking:** In our country people are religious. Most of the people are Muslim. They are becoming educated and know the bad impact of interest. So they are moving towards Shariah based banking. EXIM bank takes this opportunity.

**New Products:** The intention of the people has been changing. They now want to save more. They also want some benefit on their saving. So EXIM bank can introduce more products and schemes.

**d) Threat:**

**Competitions:** In Bangladesh, after economic reform, more private bank has started their operation in the country. They are coming with different types of attracting products. This has increased the completion among the private banks.

**Devaluation of local Currency:** The value of local currency is decreasing. So investment in local banking is decreasing. More over the inflation is increasing in the country. So people want to save money but in many cases they cannot. As a result, the banks are getting less deposit.

**Bank Default:** There is a tendency of the people of the country to become bankrupt. Few days ago Oriental bank has a great suffering. In our country, the receivable from top 20 bankrupt companies stood 88.36 billion. This is discouraging banks to make new investment.

## **Chapter 5:**

### **5.1 Findings:**

According to some clients opinion introducer is one of the problems to open an account. If a person who is new as a client wants to open account, it is a problem for him/her to arrange an introducer of SB or CD Account holder.

In Foreign Exchange Division it is required to communicate with foreign banks frequently and quick. For opening a L/C it's required to contact with the Main branch, which considered as a time loss.

### **5.2 Recommendation**

It was really difficult for me to find out any significant negative sides of EXIM Bank among its numerous positive sides in terms of efficiency and profitability. However, there are few problems which need to be corrected by the management of the bank. Some necessary steps are recommended below on the basis of collected data, my knowledge and judgment.

- ❖ In view of the risks involved in carrying of cash foreign exchange /traveler's cheque while undertaking business trip aboard, the practice of issuing credit cards to exporters against their respective foreign exchange must be introduced hassle-free handling of customers.
- ❖ With a view to encouraging the newcomers to enter into export trade EXIM bank would consider their credit proposal on priority basis.
- ❖ No overdue interest will be charged by the EXIM bank in case of export against irrevocable letter of credit on sight payment basis.



- ❖ As special export cell to supervise and monitor the export financing has been functioning in Bangladesh bank. Besides, in EXIM special unit has been created for processing exclusive export credit proposals.
- ❖ High-powered committee would established for assess the export credit requirement and to review and monitor the flow of export credit to ensure that adequate and timely credit is made available to the exporters.
- ❖ In foreign exchange department it is required to communicate with foreign banks and International Division more frequently and quickly. To make the process easily modern communication media for example e-mail, Fax, Internet etc. should be used in EXIM Bank.
- ❖ The bank should provide all their employees more effective training regarding client handling and services.
- ❖ More skilled and competent personnel should be recruited and they should be properly natured.
- ❖ Inspection department should be managed with intelligent officials who are able to assess and control situations. It should be an exclusive department with promising career path for its members.
- ❖ More concrete effort should be given to keep desirable financial health of banks through proper classification and provisioning.
- ❖ Investigation should be done at the maximum satisfactory level before sanctioning loans even proper information collection in a country like Bangladesh is quite difficult.
- ❖ Effective and regular monitoring of loans is one of the vital aspects of managing bank's financial health. Surprise site visits are very effective in monitoring loans and advances.

- ❖ It is evident from the case of collateral free export credit that collateral do not have any effective role in the performance of a particular credit facility, where loan defaults are few and far between.
- ❖ Bank personnel should keep a very good attachment with their customers by both formal and informal manner.
- ❖ As a result of integrity and sincere effort with high professional ambition, EXIM has successfully made its credit activities wider than before. So to meet up the increasing demand of the credit customers the bank should recruit more talented personnel in their credit divisions for enjoying more shares in today's competitive market.
- ❖ The training should organize regarding the "Credit Activities" to it's personnel of credit division more frequently and in more qualitative manner to furnish their personnel, which will be helpful for them to provide services to their customers more promptly, smartly and confidently.

### **5.3 Conclusion**

Export Import Bank of Bangladesh Limited is a new generation Bank. It is committed to provide high quality financial services/products to contribute to the growth of G.D.P. of the country through stimulating trade & commerce, accelerating the pace of industrialization, boosting up export, creating employment opportunity for the educated youth, poverty alleviation, raising standard of living of limited income group and over all sustainable socio-economic development of the country.

In achieving the aforesaid objectives of the Bank, Investment Operation of the Bank is of paramount importance as the greatest share of total revenue of the Bank is generated from it, maximum risk is centered in it and even the very existence of Bank depends on prudent management of its investment portfolio. The failure of a Commercial Bank is usually associated with the problem in investment portfolio and is less often the result of shrinkage in the value of other assets. As such investment portfolio not only features in the assets structure of the Bank, it is critically important to the success of the Bank also.

The main philosophy of Exim Bank is to diminish interest and charge or pay fixed interest on loans or deposits and at the same time establish an egalitarian society based on the principle of social justice and equity Instead of predator mined interest on deposits, Exim Bank offers the proof it to the depositions as an agreed ratio. Where as, interest based conventional banks pay a fixed interest a savings and deposits and grant loans with interest for any purpose.