Thesis Report
on
"An Analysis on Foreign Exchange Operations of Commercial Bank: A Case Study on Southeast Bank PLC"

Submitted to:
Department of Business Administration
Sonargaon University

Submitted for the partial fulfillment of the degree of
Executive Master of Business Administration

Submitted by:
A N M Moniruzzaman
ID: EMBA2301028011
Program: Executive Master of Business Administration (EMBA)
Major: Finance
Semester: Spring-2024
Department of Business Administration
Sonargaon University



Sonargaon University (SU)

147/I, Green Road, Panthapath, Tejgaon, Dhaka-1215.

Date of Submission: 5th May, 2024

Thesis Report
On
"An Analysis on Foreign Exchange Operations of Commercial Bank: A Case Study on Southeast Bank PLC"

Submitted to:
Md. Shahbub Alam
Lecturer
Department of Business Administration
Sonargaon University

Submitted by:
A N M Moniruzzaman
ID: EMBA2301028011
Program: Executive Master of Business Administration (EMBA)
Major: Finance
Semester: Spring-2024
Department of Business Administration
Sonargaon University

Sonargaon University (SU)
147/I, Green Road, Panthapath, Tejgaon, Dhaka-1215.

Date of Submission: 5th May, 2024

Letter of Transmittal

5th May, 2024
Md. Shahbub Alam
Lecturer
Department of Business Administration
Sonargaon University

Subject: Submission of Thesis Report.

Dear Sir,
It is my great pleasure to submit my thesis report of **"An Analysis on Foreign Exchange Operations of Commercial Bank: A Case Study on Southeast Bank PLC"** which was assigned me as a part of my Executive Master of Business Administration (EMBA) degree. Here is my overview on the focused activities of the Southeast Bank. I have tried myself to explain my learning experience briefly through the report.

I appreciate that the approach really contributes in giving my course learning shape on me. The entire report is based on my practical experience in the Southeast Bank. I have put my best effort in completing the report with all the information that I have collected during my stay at Southeast Bank.

I have great hope that the report will meet your expectation and help you to get a clear idea about the subject.

Sincerest gratitude for your enlightening guidance.

Sincerely yours

.....
A N M Moniruzzaman
ID: EMBA2301028011
Program: Executive Master of Business Administration (EMBA)
Major: Finance
Semester: Spring-2024
Department of Business Administration
Sonargaon University

Declaration of the Student

I do hereby solemnly declare that the work presented in this thesis report named **"An Analysis on Foreign Exchange Operations of Commercial Bank: A Case Study on Southeast Bank PLC"** has been carried out by me and has not been previously submitted to any university/institute.

I further affirm that the work reported in this report is original and no part or whole of this report has been submitted to, in any form, any other university or Institution for any degree or any other purpose.

.....

A N M Moniruzzaman
ID: EMBA2301028011
Program: Executive Master of Business Administration (EMBA)
Major: Finance
Semester: Spring-2024
Department of Business Administration
Sonargaon University

Certificate of Supervisor

This is to certify that the thesis report on **"An Analysis on Foreign Exchange Operations of Commercial Bank: A Case Study on Southeast Bank PLC"** in the bona fide record at report is done by A N M Moniruzzaman, ID: EMBA2301028011, as a partial fulfillment of the requirement of Executive Master of Business Administration (EMBA) degree at Sonargaon University.

The report has prepared under my guidance and is record of bona fide work carried out successfully.

I wish him all success in life.

.....
Md. Shahbub Alam
Lecturer
Department of Business Administration
Sonargaon University

Executive Summary

Southeast Bank is a private bank providing financial services to the customers. Southeast Bank is a leading private commercial bank which starts its operation on under companies act 1994 on March 12, 1995. Through its countrywide 135 branch network, it is providing a comprehensive and competitive banking service to the clients.

The thesis program is very helpful to conduct the space between the theoretical knowledge and real-life experience as a part of Business Administration. This is one of the most integral parts of Executive Master of Business Administration (EMBA) degree. Based on the knowledge that I gathered from practical field, I prepared my thesis report entitled **"An Analysis on Foreign Exchange Operations of Commercial Bank: A Case Study on Southeast Bank PLC"**.

This report consists of six chapters. The first chapter deals with introduction of report, literature review. The second chapter deals with organization profile. The third chapter deals with an overview of foreign exchange operations of Southeast Bank. The fourth chapter deals with export, import performances of Southeast Bank. The fifth chapter deals with strength, weakness, threat and opportunity of Southeast Bank in banking sector. The sixth chapter contains summary of findings of the study, recommendations and conclusion. From my overall study it is concluded that, for the growth of foreign exchange business of this bank should increase export business and heir more talented manpower, also should search for potential clients.

Acknowledgement

The thesis report is very helpful to bridge the gap between the theoretical knowledge and real-life experience as part of Executive Master of Business Administration (EMBA) degree. This thesis report has been designed to have a practical experience through the theoretical understanding. It is my privilege that I had the opportunity to do thesis report in Southeast Bank.

First of all, I would like to tender my gratitude to my esteemed Md. Shahbub Alam, Lecturer, Department of Business Administration, Sonargaon University for his sincere guidance about how to prepare the report. Without his guidance, it would very difficult for me to complete the report.

I prepared the report on the basis of knowledge, ideas, and understanding of the thesis paper. I tried to make it precise and concise as well as informative.

Finally, I would like to thank all the faculty members, officials and classmates, who are always supportive to me. At last, I am ever thankful to Sonargaon University for giving me an opportunity to complete my Executive Master of Business Administration (EMBA).

Table of Contents

TITLE
Cover Page **Inner Cover Page** **Letter of Transmittal** **Declaration of the Student** **Certificate of Supervisor** **Executive Summary** **Acknowledgement** **Table of Contents** **List of Tables** **List of Figures** **Abstract** **Abbreviations and Acronyms**

SL NO.	TOPIC NAME	PAGE NO.
CHAPTER-1	**INTRODUCTION**	1-10
	1.1 Introduction	2
	1.2 Objectives of the Study	3
	1.3 Methodology of the study	3
	1.4 Scope of the study	3
	1.5 Literature Review	4
	1.6 Limitations of the study	10
CHAPTER-2	**AN OVERVIEW OF SOUTHEAST BANK PLC**	11-20
	2.1 About Southeast Bank	12
	2.2 Organization at a glance	13
	2.3 Vision of Southeast Bank	14
	2.4 Mission of Southeast Bank	14
	2.5 Core values of Southeast Bank	14
	2.6 Southeast Bank services	14
	2.7 Technology	15
	2.8 Management of Southeast Bank	15
	2.9 Southeast Bank views on social responsibilities	20
	2.10 Future prospects and plans of the organization	20

CHAPTER-3	**FOREIGN EXCHANGE OPERATIONS OF SOUTHEAST BANK PLC**	21-40
	3.1 Foreign exchange operation	22
	3.2 Foreign Exchange Account	22
	3.3 Import section	23
	3.4 Export section	26
	3.5 Valid Export-Import Customers of Southeast Bank	30
	3.6 Export Financing	30
	3.7 Foreign Remittance Section	33
CHAPTER-4	**EXPORT IMPORT PERFORMANCES OF SOUTHEAST BANK PLC**	41-51
	4.1 Import Business	42
	4.2 Export Business	45
	4.3 Remittance Business	49
	4.4 Performance of Foreign Exchange	51
CHAPTER-5	**SWOT ANALYSIS**	52-54
	5.1 Strength	53
	5.2 Weakness	53
	5.3 Threats	54
	5.4 Opportunities	54
CHAPTER-6	**SUMMARY OF FINDINGS OF THE STUDY, RECOMMENDATIONS AND CONCLUSION**	55-57
	6.1 Findings of the study	56
	6.2 Recommendations	56
	6.3 Conclusion	57
BIBLIOGRAPHY		
APPENDIX		

List of Tables

SL NO.	LIST OF TABLES	Page No.
Table -1	Performance of Import of Southeast Bank	42
Table -2	Proportion of Earnings of Import in Total Income	43
Table -3	Growth of Import Earnings	44
Table -4	Growth of Import Earnings	45
Table -5	Earnings from Export of Southeast Bank	46
Table -6	Proportion of Earnings of Export in Total Income	47
Table -7	Growth of Export Earnings	48
Table -8	Performance of Inward Remittance of Southeast Bank	49
Table -9	Growth of Inward Remittance	50
Table -10	Performance of Foreign Exchange	51

List of Figures

SL NO.	LIST OF FIGURES	Page No.
Figure -1	Organogram of the Bank	17
Figure -2	Functions of Foreign Exchange	22
Figure -3	Back-to-Back L/C	28
Figure -4	Process of Inward Remittance Transfer	35
Figure -5	Performance of Import of Southeast Bank	42
Figure -6	Proportion of Earnings of Import in Total Income	43
Figure -7	Growth of Import Earnings	44
Figure -8	Performance of export of Southeast Bank	45
Figure -9	Earnings from Export of Southeast Bank	46
Figure -10	Proportion of Earnings of Export in Total Income	47
Figure -11	Growth of Export Earnings	48
Figure -12	Performance of Inward Remittance of Southeast Bank	49
Figure -13	Growth of Inward Remittance	50
Figure -14	Performance of Foreign Exchange of Southeast Bank	51
Figure -15	SWOT Analysis	53

Abstract

This case study explores the operational dynamics of foreign exchange within Southeast Bank a commercial bank operating in the context of global financial markets. Through an in-depth analysis of the bank's foreign exchange operations, this study investigates key processes, strategies and challenges encountered in facilitating currency exchange transactions for individuals, businesses and financial institutions.

The study delves into Southeast Banks currency trading activities, exchange rate determination mechanisms, risk management practices, customer service offerings, compliance framework, technological integration, and global network infrastructure. By examining the bank's approach to foreign exchange within the regulatory landscape and competitive market environment, this thesis report sheds light on the complexities involved in managing foreign exchange operations effectively.

Through a comprehensive examination of Southeast Bank foreign exchange operations, this case study offers insights into the strategies employed by commercial banks to navigate the intricacies of global currency markets, meet the diverse needs of clients, mitigate risks, and maintain competitiveness in the financial industry.

Abbreviations and Acronyms

SB(PLC)	Southeast Bank PLC
EMBA	Executive Master of Business Administration
BB	Bangladesh Bank
BIBM	Bangladesh Institute of Business Management
L/C	Letter of Credit
ATM	Automated Teller Machine
ETN	Electronic Transaction Network
SWIFT	Society for Worldwide Interbank Financial Telecommunication
BOE	Bill of Exchange
ERC	Export Registration Certificate
IRC	Import Registration Certificate
LCA	Letter of Credit Authorization
LIBOR	London Interbank Offering Rate
FDBP	Foreign Documentary Bill Purchase
BTB	Back-to-Back
BDT	Bangladesh Taka
DD	Demand Draft
MT	Mail Transfer
AD	Authorized Dealer
PLC	Public Limited Company
HOB	Head of Branch
SME	Small and Medium Enterprise
FTT	Foreign Telegraphic Transfer
GDP	Gross Domestic Product
FDD	Foreign Demand Draft
IMF	International Monetary Fund

CHAPTER- ONE
Introduction

1.1 Introduction

A bank is a government-licensed financial institution whose primary activity is to lend money. Many other financial activities were allowed over time. For example, banks are important players in financial markets and offer financial services such as investment funds. In some countries such as Germany, banks have historically owned major stakes in industrial corporations while in other countries such as the United- States banks are prohibited from owning non-financial companies.

Banks have influenced economies and politics for centuries. Historically, the primary purpose of a bank was to provide loans to trading companies. Banks provided funds to allow businesses to purchase inventory, and collected those funds back with interest when the goods were sold. For centuries, the banking industry only dealt with businesses, not consumers. Banking services have expanded to include services directed at individuals, and risk in these much smaller transactions is pooled.

Banks today is under great pressure to perform towards achieving the objectives of their stockholders, employees, depositors and borrowing customers, while somehow keeping government regulators satisfied that the bank policies, loans and investment are sound. But the principal reason banks are chartered by state and federal authorities is to make loans to their customers. Indeed, making loan is the principal economic function of banks to fund consumption and investment spending by individuals and businesses. Well, a bank performs its lending function has a great deal to do with the economic health of its origin, because bank loan support the growth of new business and jobs within the bank's trade territory and promote economic vitality. As banking organizations have grown in recent years in Bangladesh, many of them have been forced to turn to the money and capital markets to raise funds by selling stocks and bonds. Banks entry into the open market to raise funds means that their financial statements are increasingly being scrutinized by investors and by the general public. This development has placed management under great pressure to set and meet bank performance goals.

At the same time, competition for banks traditional loan and deposit customers has increased dramatically. Bankers are dealing with risk especially the risk of loss due to changing interest's rates. Today banks are highly complex organizations. Bankers have been called upon to continually reevaluate their loan and deposits policies, review their plans for expansion and growth, assets their returns and risk in the light of this new competitive environment. Thus, the effective management tools can be marshaled in a coordinated fashion to handle many of the risk's banks face.

1.2 Objectives of the study

1.2.1 General Objective

The general objective of the study is to get idea about the overall activities, policies associated with Foreign Exchange, credit determent and general banking of Southeast Bank PLC.

1.2.2 Specific Objectives

1. To study the Foreign Exchange procedure of Southeast Bank.
2. To observe banker-customer relationship.
3. To identify limitations regarding foreign exchange activities and to recommend solutions overcoming those weakness.

1.3 Methodology of the study

To make the report more meaningful and presentable both primary and secondary data sources were used:

1.3.1 Primary data sources

1. Discussion with officials of the Southeast Bank.
2. Face to face conversation with the clients.
3. Expert's opinions and comments.
4. Direct Observation.
5. Questioning the concerned persons.

1.3.2 Secondary data sources

1. Web site of Southeast Bank and other bank's web site.
2. Annual report of Southeast Bank.
3. Various journals of different Banks.
4. Thesis reports related to other organization.

1.4 Scope of the study

The scope of this report is limited to the organizational structure, background and objectives, functions and customer services, Management of Southeast Bank as a whole. This will indicate as to extent to which the servicing capacity of the customers and socio-economic development of the country by proper utilization of capital. This study conduct in head office and branch from which various types of relevant data is collected that will focus the whole culture of the bank. The scope is also limited to different types of customers perception regarding customer service in different division of Southeast Bank.

1.5 Literature Review

There has been not any significant work done on Foreign Exchange Risk Management in Commercial Banks in Pakistan before. There is also not any sufficient literature available on this specific topic. Different work has been done at different times regarding various topics included in the research objective of this study. An overview of the existing literature is given here. The importance of foreign exchange risk management cannot be neglected for any firm or banking organization. Banks face foreign exchange risk management due to dealing in foreign currencies result of the operations in foreign countries or dealing with foreign exchange for their own account or for customer's account. Exchange Rate Risk is an integral part of every firm's decision regarding foreign currency exposure (Allayannis, Ihrig, & Weston). Currency risk hedging strategies involve eradicating or reducing currency risk, and need understanding of both the ways that the exchange rate risk can impact the operations of economic agents and techniques to deal with the resulting risk implications (Barton, Shenkir, & Walker, 2002).

Foreign Currency Risk is an important source of risk for the banking industry and different studies have been done in different parts of the world. (Papaioannou M. G., 2006) Foreign currency exposure and risk management are very important for the firm to avoid any vulnerability from exchange rates fluctuation which can affect the profits and assets values in a negative way. Different traditional types of foreign exchange risk i.e. translational, transactional and economic risks were reviewed. Also, different ways and strategies for managing foreign currency risk were analyzed along with advantages and disadvantages of each strategy and technique. Additionally, best practices widely spread were outlined along with data on financial derivatives and hedging practices by US firms.

Sources of risks for banking sector have been investigated by many researchers in different economies. (Daugaard & Valentine, 1993) worked out different sources of risks and they found out that stock prices of banks have relationship with different variables like interest rates, exchange rates, banks profitability and market risk factor. According to them during the period from 1983 to 1991, share prices of banks responded with the appreciation of the Australian Dollar. (Irio & Faff, 2000) Studied foreign exchange risk in industries in Australia including the banking sector. According to them, banking exchange rates. They did not find any significant relationship between derivative activities of banks and exposures. Hedging allows the commercial banks to manage foreign exchange risk but hedging itself poses additional risk to bank.

A study conducted on 48 largest US commercial banks (Choi, Elyasiani, & Kopecky, 1992) for the period 1975-1987 showed that effects of exchange rate depend on the Net position of the bank in foreign currencies. According to them,when banks had positive net position, depreciation of foreign currencies negatively affected the stock prices of banks before year 1979 and after 1979 banks stock returns responded positively with the depreciation of foreign currencies as banks had changed from positive to negative net open positions. In a similar study on Canadian banks (Atindehou & Gueyie, 2001), it is found out for the Canadian Banks that stock prices responded positively with depreciation of foreign currencies.

(Gandhi G. S., 2006) in the paper for "The Chartered Accountant" for Instt. Of Chartered Accountants of India is mentioned that currency derivatives like currency futures, currency forwards, currency swaps and currency options help in hedging foreign exchange risk of firms and other ways of hedging including off-setting positions against the underlying assets and money markets are themselves risky. Hedging and hedging right are two different things. If the hedging is not done properly in the right way, it itself can become a serious source of risk and have potential to pose a serious financial loss to the firm. Fluctuations in the foreign exchange rate force the changes in the portfolio returns as uncertain future exchange rates translate the returns on investments denominated in foreign currencies into US dollar returns. Foreign exchange risk can be managed if the diversification of portfolio is done across the assets in different currencies. Cash flows of a portfolio can be affected or changed by the usage of derivative securities. The usage of currency derivatives additionally reduces the risk of whole diversified portfolio (Abken & Shrikhande, 1997).

Currency Derivatives are not only helpful in hedging the foreign exchange risk of the firms and institutes, however, due to information efficiency resultant of usage of currency derivatives makes the currency markets more efficient and exchange rates less forecast able (Liu, 2007) "Foreign Currency options" are the derivative instruments that give the buyer of that option the right but not the obligation to exercise a specific transaction in the currency pair underlying the respective derivative contract. It entitles the buyer of the option the flexibility of exercising settlement of that option or not. The article focused on the dynamics of hedging foreign exchange risk with the usage currency options applications. Indeed, the foreign currency options are one of the best tools available for hedging foreign exchange exposures in different foreign exchange market conditions, like volatile market conditions, stagnant, bullish or bearish. (Gandhi G. S., 2006).

Exchange rate risk relates to the effect of unexpected exchange rate changes on the value of the firm (Madura, 1989). It can also be regarded as the possible direct loss (as a result of an unhedged exposure) or indirect loss in the firm's cash flows, assets and liabilities, net profit and, in turn, its stock market value from an exchange rate movement. Foreign exchange exposure is the risk associated with transactions at such financial markets. Essentially, it is the risk that a foreign currency may move in a direction which is financially detrimental to the global and domestic firms, particularly, the commercial banks. While it is observed that there are three types of exchange rate exposure (transaction, economic and translation), notably, economic and transaction exposure is seen to affect the commercial banks more adversely.

Dohring (2008) discussed exchange rate exposure in terms of transaction risk (the risk of variations of the value of committed future cash flows), translation risk (the risk of variations of the value of assets and liabilities denominated in foreign currency) and broader economic risk (which takes into account the impact of exchange rate variations on competitiveness). The paper argues that domestic-currency invoicing and hedging with exchange rate derivatives allow a fairly straightforward management of transaction and translation risk and discusses under which circumstances their use is optimal. The major novelty of this paper is a survey of actual hedging strategies and techniques of large corporations from a euro-area perspective. The paper finds that euro-area exporters have instruments at hand to limit the adverse impact of euro appreciation and that they make ample use of them.

Wong, Wong and Leung (2008) stated that "foreign exchange movement could be an important source of risk for banking institutions. While mild cases could result to erosion of banks profit; large foreign exchange fluctuation could also result to bank failure. Due to the serious implication what foreign exchange movement could cause to risk management, commercial banks and central banks had placed large interest on measuring banks' foreign exchange exposure. The authors examined the effect foreign exchange exposure had on banks profitability using equity data from 14 listed companies in China. Their result suggested that there exists a positive relationship between bank size and foreign-exchange exposure, which may reflect larger foreign-exchange operations and trading positions of larger Chinese banks, and their significant indirect foreign-exchange exposure arising from impacts of the renminbi exchange-rate movements on their customers.

In a similar empirical study, He, Fayman and Casey (2014) examined the impact foreign currency fluctuations have on banks profitability using 22 large U.S commercial banks. Their result also observed that large U.S. banks were exposed to foreign exchange risk and that specific bank performance was related to the value of the dollar relative to market baskets of other currencies. The significance of this result lies in the fact that the increasing global business environment does not isolate U.S banks from the prevailing levels of global economic activities.

Chamberlain, Howe and Popper (1996) used both daily and monthly data to examine the exchange rate sensitivity of U.S bank holding companies and of the Japanese bank. Their study also investigated U.S. banking firms. Their study also investigates the degree to which U.S exchange rate sensitivity can be explained by accounting measures of foreign activities. The result of the daily data observed that the stock returns of one-third of the thirty large banks sampled appeared to be sensitive to exchange rate movement. In contrast to the result obtained for the U.S banks, the result of the Japanese banks showed that only a few banks were sensitive to exchange rate movement. The authors believed that the significant variation in the result obtained for the Japanese banks was due to differences in the structure of ownership, in securities and derivatives laws, in supervision, in the extent of foreign ownership, or in hedging policies.

Otuori (2013) sought to investigate the determinant factors of exchange rates and their effects on the performance of commercial banks in Kenya using primary source of data with descriptive design. The results of this study revealed that interest rate and external debt had positive and significant effects on performance while inflation rate and external debt had negative and significant effects on performance. Among the recommendations made from this study is that Government should address the issue of burgeoning external debt as higher external debts hurt the performance of commercial banks in Kenya. The study further recommended that the Government should put up more measures to increase the country's exports as this will go a long way in improving the performance of commercial banks in Kenya.

Similarly, Ahmed (2015) investigated the effect of foreign exchange exposure on commercial bank performance in Kenya using descriptive data and primary sources of investigation. The study found that (1) interest rates had an insignificant positive effect on commercial bank performance (2) foreign exchange exposure has negative effect on the performance of listed commercial banks in Kenya and (3) inflation had negative effect on bank performance. The study recommended that regulators who include Central Bank of Kenya should manage the interest rates in the country in such a manner that the country would realize a stable exchange rate and reduce banks' exposure to the vagaries of exchange rate exposure.

Taiwo and Adesola (2013) investigated the relationship between foreign exchange fluctuation and banks profitability. The authors captured profitability in two respects, firstly as, the ratio of total loan loss to total advances, and secondly as, the ratio of bank capital to deposit. Their result was significant in two respects, (a) the tendency of banks to accumulate excessive bad loans by reason of fluctuation in exchange rate (b) bank capital level might be seriously undermined due to deteriorating exchange rate. From the opinion of the authors, it could be reasoned that, banks are bound to experience decline in profit given uncontained fluctuations in exchange rate.

Ngerebo, TA (2012) sought empirically to investigate the foreign exchange fluctuations on the intermediation of banks in Nigeria using data from 1970 t0 2004. The study observed that commercial bank intermediation index (CBII) had a positive relationship with foreign exchange fluctuation. The analysis from the study revealed a R2 of 27.8 percent suggesting that the explanatory variable used in the model was not sufficient enough to explain deviations on foreign exchange fluctuations. The study had the weakness of using only commercial bank intermediation index to explain deviation in foreign exchange fluctuation

Bergen (2010) has examined the factors that influence exchange rates and found that interest rates, inflation and exchange rates are all highly correlated. According to Bergen (2010), by manipulating interest rates, central banks can exert influence over both inflation and exchange rates, and changing interest rates impact inflation and currency values. Higher interest rates offer lenders in an economy a higher return relative to other countries. Therefore, higher interest rates attract foreign capital and cause the exchange rate to rise. The impact of higher interest rates is mitigated, however, if inflation in the country is much higher than in others, or if additional factors serve to drive the currency down. The opposite relationship exists for decreasing interest rates, that is, lower interest rates tend to decrease exchange rates.

Karfakis and Kim (1995), using Australian exchange rate data, have found that unexpected current account deficit is associated with exchange rate depreciation, and a rise in interest rates. Research evidence lend credence to the fact that current account deficits diminish domestic wealth, and may lead to overshooting of exchange rates. A fall in the real value of currency has also been reported by Obstfeld and Rogoff (1995), Engel and Flood (1985) and Dornbusch and Fisher (2003). There has also been a surge and collapse in international capital flows into developing countries in the recent decades. Sudden outflow of capital is another major concern when it can drastically affect exchange rates as has been witnessed during several financial crises of Brazil, East Asia and Mexico. These capital outflows affect domestic output, real exchange rates, capital and current account balances for years after the crises. As a general rule, a country with a consistently lower inflation rate exhibits a rising currency value, as its purchasing power increases relative to other currencies. During the last half of the twentieth century, the countries with low inflation included Japan, Germany and Switzerland, while the US and Canada achieved low inflation only later. Those countries with higher inflation typically see depreciation in their currency in relation to the currencies of their trading partners. This is also usually accompanied by higher interest rates (Bergen, 2010).

According to Solnik (2000), the balance of payments approach was the first approach for economic modelling of the exchange rate. The approach tracks all of the financial flows across a country's borders during a given period. All financial transactions are treated as a credit and the final balance must be zero. Types of international transactions include: international trade, payment for service, income received, foreign direct investment, portfolio investments, short-and long-term capital flows and the sale of currency reserves by the central bank. A ratio comparing export prices to import prices, the terms of trade, is related to current accounts and the balance of payments. If the price of a country's exports rises by a greater rate than that of its imports, its terms of trade have favorably improved. Increasing terms of trade show greater demand for the country's exports. This, in turn, results in rising revenues from exports, which provides increased demand for the country's currency (and an increase in the currency's value). If the price of exports rises by a smaller rate than that of its imports, the currency's value will decrease in relation to its trading partners (Solnik, 2000).

Ani et al. (2013) have investigated the effect of foreign exchange reforms on financial deepening in Nigeria and found that foreign exchange reforms in Nigeria do not have the desired positive effect on the depth of the Nigerian financial sector. They argue that financial liberalization can have strong positive effects on economic performance. This implies that after the prescribed exchange rate reforms, the domestic economy has failed to experience impressive performance such as a stable exchange rate capable of attracting foreign investment or halt capital flight. Nigeria's currency has consistently failed to measure up in terms of value appreciation with other currencies in the international market. Generally, their findings suggest that reforms in the financial services sector generate tremendous financial booms and busts in the short-run, but these booms and busts have not intensified in the long-run. According to Ani et al. (2013), evidence from the non-spurious regression results suggest that foreign exchange reforms in Nigeria do not have the desired positive effect on the depth of the Nigerian financial sector. It is strongly argued that financial liberalization can have strong positive effects on economic performance.

Owoeye and Ogunmakin (2013), using two proxies for bank performance (loan loss to total advances ratio and capital deposit ratio), have examined the impact of unstable exchange rate on bank performance in Nigeria. Their specified models suggest that the impact of exchange rate on bank performance is sensitive to the type of proxy used to capture bank performance. Loan loss to total advance ratio shows that fluctuating exchange rate may affect the ability of lenders to manage loans resulting in high levels of bad loans while capital deposit ratio does not have significant relationship with exchange rate.

Baliamoune-Lutz (2006) has also explored the long-run linkages and short-run dynamics between financial liberalization reforms and domestic savings mobilization in Morocco over the period 1960 to 1999 using a vector error correction model approach. The author found financial depth to be positively related to private savings whereas increase in real rates of interest was negatively related. This implies that effectiveness of financial intermediation as a result of financial liberalization does not directly affect savings but instead influences the volume of intermediation significantly. The study found savings to have stable relationship with financial liberalization in the long run although the influence of interest rate is still negative. This implies that in the long-run income effect is dominant.

The mixture of distribution hypothesis (MDH), first advanced by Clark (1973), assumes that price variability and volume are both driven by a snob-served common directing variable. Indeed, numerous studies have reported a strong contemporaneous correlation between volume and volatility.2 Cornell (1981) provides considerable empirical evidence on how pervasive the relation is for eighteen futures contracts. Grammatikos and Saunders (1986) analyze foreign currency futures contracts and find that detrended volume is positively related to variability. At the same time, there are secular increases in volume, without corresponding increases in volatility.

1.6 Limitations of the study

There are some limitations in every study, I also faced some limitations or obstacles in the way of completing my thesis report.

The limitations of this study are:

1. All the time of preparing my report I tried to gather every detail of process but the major limitation is lack of adequate information.
2. Sufficient records, publications were not available as per my requirement.
3. Time constraint.
4. Difficulty in accessing latest data of internal operations.
5. Some information was withheld to retain the confidentiality of the bank.

CHAPTER- TWO
An Overview of Southeast Bank PLC

2.1 About Southeast Bank

Southeast Bank was established in 1995 with a dream and a vision to become a pioneer banking institution of the country and contribute significantly to the growth of the national economy. The bank was established by leading business personalities and eminent industrialists of the country with stakes in various segments of the national economy. The incumbent Chairman of the bank is Mr. Alamgir Kabir, FCA, a professional Chartered Accountant. Southeast Bank is run by a team of efficient professionals. They create and generate an environment of trust and discipline that encourages and motivates everyone in the bank to work together for achieving the objectives of the bank. The culture of maintaining congenial work environment in the bank has further enabled the staff members to benchmark themselves better against management expectations. A commitment to quality and excellence in service is the hallmark of their identity. Southeast Bank takes pride for bringing women into the banking profession in a significant number for gender equality.

A team of efficient professionals manages the bank. They create and generate an environment of trust and discipline that encourages everybody in the bank to work together for achieving the objectives of the bank. It has a diverse array of products and services tailored carefully to cater to the needs of all segments of customers. The bank's operational strategies are structured to address the special and often complex needs of the customers. In the growth graph, the bank has generated profit of BDT 1,853.96 million after provision and income tax in the half yearly 2023. The curve keeps soaring upward everyday making it one of the leading and most successful banking institutions in Bangladesh with a total asset base of BDT 515,861.12 million as of June 30, 2023.

In view of the above, the bank within a period of 29 years of its operation achieved a remarkable success and met up capital adequacy requirement of Bangladesh Bank. It has been growing fast as one of the leaders of the new generation banks in the private sector in respect of business and profitability as it is evident from the financial statements for the last 29 years.

Southeast Bank has 135 branches throughout Bangladesh and its aim is to be the leading bank in the country's principal markets. The bank by concentrating on the activities in its area of specialization has achieved good market reputation with efficient customer service. The bank is committed to providing continuous training to its staff to keep them up to date with modern practices in their respective fields of work. The bank also tries to fulfill its share in community responsibilities. By such measures the bank intends to grow and increase shareholders earning per share. Southeast Bank pledges to maximize customer satisfaction through services and build a trusting relationship with customers, which has stood the test of time for the last twenty-nine year.

2.2 Organization at a glance

Name of the Company	Southeast Bank PLC.
Chairman	Mr. Alamgir Kabir, FCA
Vice Chairperson	Duluma Ahmed
Chairman, Executive Committee	Mr. Md. Akikur Rahman
Managing Director	Mr. Nuruddin Md. Sadeque Hussain
Company Secretary	A.K.M.Nazmul Haider
Legal Status	Public Limited Company
Date of Incorporation	March 12, 1995
Registered Office	Eunoos Trade Centre, 52-53, Dilkusha C/A (Level 2, 3 & 16), Dhaka-1000, Bangladesh.
Line of Business	Banking
Number of Branches	135
Year of Initial Public Offer	1999
Stock Exchange Listing	April 10, 2000 (DSE) and April 24, 2000(CSE)
Phone	9571115, 7160866, 7173793, 9555466, 9550081
Fax	9550086, 9550093, 9563102
SWIFT	SEBDBDDHXXX
E-mail	info@southeastbank.com.bd
Website	http://www.southeastbank.com.bd/

2.3 Vision of Southeast Bank

It is important for managers and executives in any organization to agree upon the basic vision that the firm strives of achieve in the long term. A clear vision provides the foundation for developing a comprehensive mission statement. So, the vision statement should be established first and foremost. Southeast Bank has established their vision statement to achieve their long-term Objectives. Their vision is to stand out as a pioneer banking institution in Bangladesh and contribute significantly to the national economy.

2.4 Mission of Southeast Bank

A business mission is the foundation for priorities, strategies, plans and work assignment. Nothing may seem simpler or more oblivious than to know what a company's business is. Southeast Bank is very much concern about their mission because divergent views among managers can only be revealed and resolved through the mission statement. The mission of the bank is stated below:

1. High quality financial services with state-of-the-art technology
2. Customer Service Excellence/Prompt Customer Service
3. Sustainable growth strategy
4. High ethical standards in business
5. Steady return on shareholders' equity
6. Innovative banking at a competitive price
7. Attraction and retention of quality human resource
8. Commitment to Corporate Social Responsibility

2.5 Core values of Southeast Bank

Southeast Bank has established their objectives to achieve their strategic and financial targets to have strong competitive advantage in the banking sector. Their core values or the principles are given below:

1. Integrity
2. Fairness
3. Harmony
4. Courtesy
5. Commitment
6. Insight and Spirit
7. Enthusiasm for Work
8. Business Ethics

2.6 Southeast Bank services

2.6.1 General Banking services

1. Accounts Opening
2. Account maintaining
3. Account closing
4. Issuing Pay order
5. Bank draft
6. Demand draft
7. Opening of Fixed Deposit
8. Clearing of Bank cheque

2.6.2 Foreign Exchange Business services

1. Letter of credit
2. Parties to Letter of Credit
3. Operations of Documentary Letters of Credit
4. L/C Application
5. Scrutiny of Documents
6. Scrutiny of L/C Application

2.6.3 Investment Services

1. Investment Scheme for Doctors
2. Small Business Investment Scheme
3. Housing Investment Scheme
4. Small Transport Scheme
5. Car Loan Scheme
6. Transport Investment scheme
7. Agriculture Implements Investment Scheme Rural Development Scheme

2.6.4 Other Consumer Savings Schemes

1. Pension Savings Scheme *(*PSS)
2. Education Savings scheme (ESS)
3. Marriage Savings Scheme (MSS)

2.6.5 Sanchaypatra schemes

1. Eight years Protirakha Sanchaypatra (PSP)
2. Five years Bangladesh Sanchaypatra (BSP)
3. Sanchaypatra Interest on half yearly rest (SP)
4. Sanchaypatra Interest on quarterly rest (SP)

2.7 Technology

At present, all banking transactions of Southeast Bank are fully automated. Moreover, all activities of trade and operations are being done through computers and other automation tools Such as ATM, SWIFT. The bank is the member of the shared ATM Network provided by Electronic Transaction Network (ETN). At present 175+ ATM booths are available all over the country. In order to provide round-the-clock and correct information on the bank to the business community all over the world, the bank has a web page which can be accessed under the domain name: www.southeastbank-bangladesh.com.bd Bank has made an agreement with Square Informatics Ltd to have real time on-line transaction facility. The bank facilitates its clients to deposit, draw or remit funds from their accounts from one branch to another by providing on-line banking services.

2.8 Management of Southeast Bank

For any financial and non-financial organization, management are the most valuable and important resources of any kind of organization. And, a well-organize management provides the organization to reach its ultimate goal. Management means planning, organizing, staffing, directing and controlling of all financial and non-financial recourses of an organization. Different aspects of management practice in Southeast Bank are discussed below.

- **Planning:** Southeast Bank have done its planning within the preview of the corporate plan. The overall planning approach in Southeast Bank is top-down. Each branch can plan according to the goal imposed by the corporate level. It doesn't plan independently. And, Southeast Bank has a planning division. This is mainly responsible for the overall planning.

- **Organizing:** Southeast Bank is organized as per the existing business locations. It has 135 (One hundred thirty-five) branches, each of which is a separate entity. Each unit is responsible for its performance and each is headed at least by a Senior Assistant Vice President (SAVP) in designation followed by operation manager. He is directly responsible for the performance of their unit. Within each branch, it is organized functionally.

- **Staffing:** The recruitment in Southeast Bank is done in two ways. One has a provisional officer for the management program and it has a probation period of two years. Another one is non-management level as trainee officer. Provisional officers are recruited in officer category and their career path is headed towards different managerial jobs.

- **Directing:** The management approach in Southeast Bank is top-down or authoritative. Each information just seeks through lower management layer. Works are designed in such a way that one cannot leave without clearing the task as he is assigned for a day. Sitting arrangement in all office is done in way that the superior can monitor the subordinate all time. Management and manager operation all time watch the operation of the bank through Close Circuit (CC) camera. Security is maintained properly. Budgeting, rewarding, punishing etc. are also practice as control program.

- **Controlling:** Southeast Bank doesn't believe in the traditional banking. It tries to increase and maintain its market share in the private banking sector through two Types of control techniques:
  - ✓ Feed forward control
  - ✓ Feedback control

Feedback control technique monitor output of a process and feed into the system to obtain desired outputs. On the other hand, feed control technique monitors inputs into a process to ascertain whether these are as planned; if they are not, the inputs are changed in order to get the desired result.

2.8.1 Operation Strategy

Presently the bank uses bank Ultima's branch banking software developed by leads Corporation developed on windows platform. The head office and some branches use the software for book keeping, automatic interest calculation, daily transaction listing and audit trails, auto maturity and auto renewal of FDRs, automatic integration of customers ledger position including balance of subsidiaries, monthly income and expenditure position etc. the bank has joined the shared ATM Network Bangladesh offered by ETN along with eight other member banks. This service is presently available in Dhaka, Chittagong and Sylhet. Southeast Bank is member of SWIFT.

It has also installed Reuter System at the Head Office to have live access to information from international money market for dealing in foreign exchange. But from the viewpoint of ideal requirement for modern bank, competing with international banks, the IT facilities of Southeast Bank need further improvement.

2.8.2 Top-Down Management Strategy

The dimension of organization structure of Southeast Bank is centralization. In this dimension, the decision-making authority resides at the top of the organization char. Different works being assigned under strict control and monitoring to the lower-level employees.

Organogram of the bank:

- **Chairman**
- **Managing Directior**
- **Deputy Managing Director**
- **Senior Executive Vice President**
- **Executive Vice President**
- **Senior Vice President**
- **Vice President**
- **Senior Assistant Vice President**
- **Assisstant Vice President**
- **First Assistant Vice President**
- **Senior Executive Officer**
- **Executive Officer**
- **First Executive Officer**
- **Provisionary Officer**
- **Officer**

Figure-1: Organogram of the bank

2.8.3 Network of the Branches

Southeast Bank has 135 existing branches and some other proposed branch all over Bangladesh to provide better services to their valuable customer. The objective of Southeast Bank is not only to earn profit but also keep the social commitment and to ensure its co-operation to the persons of all levels, to the businessmen, industrialists specially who are engaged in establishing large scale industries by consortium and the agro based export oriented medium and small-scale industries by self-inspiration. Southeast Bank as the largest private bank is committed to continue its endeavor by rapidly increasing the investment of honorable shareholders into asset. The network of this bank is centralized.

2.8.4 Human Resource Department of the bank

The Human resource department of Southeast Bank performs many different roles and responsibilities. They take full responsibility for human activities like employment are recruiting, training and development, employee services, employee and community relations, personnel records, rewarding employees etc. The HR officers of this bank are very much concern to design and deliver efficient and effective HRM system, process and practices. They spend a lot of time to ensure employee's satisfaction. They work on finding creative ways to ensure a positive and encouraging work environment.

2.8.5 Recruitment Policy

The goal of an organizational recruitment program is to ensure that the organization has a number of reasonably qualified applicants to choose from when a vacancy occurs. As Southeast Bank is concern to bring about their long-term objectives so that they accomplish the recruiting process cautiously. The process for the recruitment of Management Trainee and Provision Officer is:

1. Circular/Advertisements placed in notice boards of different educational institutions and news dailies.
2. Written test
3. Checking the test scripts
4. Call for interview
5. On the job training
6. Outside training (e.g., foundation training at BIBM)
7. Confirmation

Whole process takes maximum of one to two months. The incumbents are appreciated who have practical experience and knowledge in the relevant fields.

2.8.6 Training

The bank is very much conscious for the training of their employees to make them master in knowledge, skill and behaviors in their day-to-day activities. It the bank retains and motivates employees. Generally, Southeast Bank united arranges training for junior level officers at BIBM, Mirpur, Dhaka to enhance their skill and efficiency. Executive officers are also required for training attending seminars in abroad to develop their managerial and operational proficiency. Every year, officers attended training courses at BIBM whereas these executives or officers were sent abroad for training oll international Trade, Credit management and other areas of banking and financial services.

2.8.7 Job Evaluation

Job evaluation is very much necessary to measure internal job worth of an organization Southeast Bank follows a performance evaluation strategy to evaluate their employees as well as to make them more effective and efficient in their responsibilities. The branch managers monitor their employees to give performance feedback to the Head Office. They complete a Performance Appraisal Form to rate their employees. Generally, it is conducted at the end of each year. Southeast Bank encourages the industrious and active employees by giving promotion or bonus to make them more productive.

2.8.8 Rating is mainly done on following factors

- Professional knowledge: Knowledge of assigned, current trends and developments in functional area.
- Planning: Ability to plan activities in advance and to accomplish by setting priorities.
- Analytical Ability: Ability to analyze, assimilate and present facts clearly and concisely.
- Judgment: Ability to take decisions and the quality of the decisions taken.
- Attitude: How does he/she looks upon his/her job and his/her associates? Can he/she makes positive effect on others?
- Communication: The force and felicity with which thoughts are expressed /conveyed in writing are to be considered.
- Innovation: Extent of imagination and the practicability of the ideas as applicable to the job.
- Leadership: Ability to inspire subordinates and to develop them.
- Interpersonal relationship: Ability to get along with superiors, equals, subordinates and customers.
- Resourcefulness: Reaction towards difficulties and the drive and initiative displayed to overcome them.
- Pension Policy: the employees are provided the following benefits during their pension:
  1. Insurance
  2. Gratuity
  3. Provident fund

2.8.9 Other Facilities

Southeast Bank also provides the following facilities to their employees:

1. House building
2. Marriage leave
3. Maternity leave
4. Festival bonus
5. 10 days as core leave
6. 24 days as privileged leave
7. 14 days of sick leave
8. Specially approved leave-without-pay

2.9 Southeast Bank views on social responsibilities

1. Rights of Shareholders: The bank earned a total profit before tax of Tk. 402.23 million in the year 2001 and offered 30% cash dividend.
2. Responsibilities to the Employees: The bank always tries to ensure performing its responsibilities to its employees in terms of payment of competitive wage, providing the best possible working conditions, proper system of promotion, recognition, appreciation, and encouragement of special skills etc.
3. Responsibilities to the Customers: The bank tries to ensure maximum satisfaction of its clients.
4. Responsibilities to the Community: Southeast Bank performs its duty to the community by providing some special scheme such as Education Credit Scheme, Marriage Credit Scheme, and Promoting Local Industry.

2.10 Future Prospects and Plans of the organization

The regular operations and transactions of Southeast Bank are fully automated and automation tools such as ATM and SWIFT are doing all the activities of trade and operations. The bank is now downscaling the applications of Telex and converting that to SWIFT for more effective communication. The bank is having more than 20 ATM booths available throughout the country provided by Electronic Transaction Network (ETN). In order to provide round the clock and current information on the bank to the business community worldwide, this bank has Web Site www.southeastbank-bangladesh.com.bd. Though a large number of commercial banks are already in the market to acquire business, Southeast bank nevertheless secured its position in the overall financial area with diversified opportunities but with extensive competition. For modern banking and investment decisions the bank is eager to make substantial investments through branch and business expansion with added capacity of resources. The bank has a plan to set up a research and development wing so as to analyze business opportunities to extending its presence in this new market and sources of investments.

CHAPTER- THREE
Foreign exchange operations of Southeast Bank PLC

3.1 Foreign exchange operation

Foreign exchange division deals globally and it is international department for any bank. Southeast Bank foreign exchange division helps exporter and importer for international trade through its various mode of services. Foreign exchange division create link between exporter and importer Southeast Bank not all branches cannot deal for international trade. If only those Branch can operate foreign exchange operation which are Authorized dealer. Bangladesh bank issue license to schedule Banks to deal with foreign trade. If a branch has power to deal foreign exchange operation, then it also called AD branch. Foreign exchange division can establish foreign exchange from local country to foreign country. This department prescribed to deal that engaged foreign currency like US dollar, Great Britain pound and Japanese currency especially American dollars. The head of foreign exchange markets are in my New York city where many banks have individual wires to all foreign countries. By this informing service these banks are able to buy and sell for quick or also future delivery funds of foreign countries. These funds to be used to pay for import or export in the currency describe by the sellers of the goods. Branch charge some amount for their activities.

3.2 Foreign Exchange Account

There are three types of foreign exchange account. Those are:

1. Nostro Account: Nostro account mean that an account that a bank hold in foreign currency in abroad country bank through local bank for facilities settlement of trade agreement and exchange. Nostro is a Latin word it's mean our account with you.
2. Vostro Account: Vostro account is the local currency account maintained by the abroad country bank. It's meant your account with us.
3. Lori Account: It means that their account with you. Lori account maintained by third party. Like Southeast Bank maintaining an account with Sanghai bank of China and also DBBL also maintain an account with Sanghai bank of China If Southeast Bank offer DBBL transfer of fund jointly to Sanghai bank then their account is Lori account.

Southeast Bank mainly open vostro, Nostro and Lori account with city bank N.A, Standard Charter Bank, Sanghai Bank of China.

Foreign exchange division is divided into 3 parts. Those are:



Figure 2: Function of foreign exchange

3.3 Import Section

Import means buying a good or service from others countries. Basically industries, firms, government or consumer import others countries goods or service to meet their requirements. If a person or firm want to purchase goods or service from abroad then he or she should be worthy to be an importer. Import is not easy process; it's had some process and rules and requirements like opening a letter of credit. Then a person become a capable importer.

3.3.1 Import Procedure following by Southeast Bank

Southeast Bank is an authorized dealer so they always give away facilities to importers for buying goods from abroad and meet their requirements. Import section is under foreign exchange department of the branch and they always ready to serve their client's needs or requirements to imports goods. For import process Southeast Bank always maintain necessary formalities. Those are given below.

- In the beginning, the importer must gain import registration certificate (IRC). For this IRC importer must submitted:
  - Trade license
  - Nationality and asset certificate
  - Income tax certificate
  - Bank solvency certificate
  - Necessary amount for registration free
- After gaining IRC then importer contract with the abroad seller to make the proforma invoice.
- Importer must mention the nature of the import business.
- Importer must mention the Good's to be imported.
- When the Importer received the Proforma Invoice then importer makes a buying agreement detailing the terms and conditions of the Import
- After making the buying agreement importer decide the ways of payment with the exporter. There are different types of payment methods like, Cash in advance, Open account, collection methods and Documentary letter of credit.

1. Cash in advance: Importer can pay partial or full payment for imported item in advance prior to the shipment of goods. This process is less use than others payment process but this process uses in international trade when,
   - ❖ Importers are new in international trade
   - ❖ Importer prior payments history is not satisfactory
   - ❖ Importer country political or economic risk are very high
2. Open account: When importer ensure the exporter to give the payments at specific date in future. By this importer commitment then exporter send the goods to the importer. This type of payment method is mostly seen when:
   - ❖ When importer is well known to the exporter
   - ❖ Importer have outstanding credit history

3. Collection method: By this method the sellers notify his bank to forwards documents connected to the export of goods to the buyer's bank with a request to present these documents to the buyer for payment, indicating when and on what conditions these documents can be released to the buyer. The buyer may obtain possession of goods and clear them through customs, if the buyer has the shipping documents such as original bill of lading, certificate of origin, etc.
4. Letter of Credit (L/C): Letter of credit is very popular payment mechanism used is global trade. Letter of credit another name is documentary credit. L/C is the way by which a bank takes responsibilities to make payment instead of importer to exporter. If importer is unable to give payment to the exporter, then the bank will be required to give the full or due amount of the purchase. Basically, an Importer of a country asked his bank to create a L/C in abroad currency in favor to the exporter at a bank in the letter country.

Parties involved in a letter of credit transaction are:

- Applicant/Opener: A buyer or importer.
- Opening/ Issuing bank: A bank create a L/C on the command of the applicant. The issuing bank must confirm the buyer credit condition is good before opening the L/C.
- Beneficiary: A seller or exporter.
- Nominate Bank: The advising bank is often nominated bank and they authorized the L/C.
- Confirming Bank: The bank basically located in the exporter country and they collect others independent commitment to pay the exporter and give all the L/C terms and conditions have been met.
- Reimbursing Bank: Is the bank by which the issuing or opening bank maintain a Nostro account and this will make the payment to the exporter or beneficiary.

Forms of Letter of credit:

L/C is generally classified by two types. Those types are:

a. Revocable L/C: Supposing any L/C can be reform or correction for any reason or cancelled by agreement of exporter and Importer it’s known as revocable L/C.
b. Irrevocable L/C: Supposing a L/C cannot be reform or change of any reason without any permission of exporter and Importer then exporter and Importer bank is known as irrevocable L/C.

Documents used in opening L/C:

1. Proforma invoice
2. Import Registration Certificate (IRC)
3. Bill of exchange
4. Bill of lading
5. Truck receipt/ Shipp/Airway/Railway bill
6. Commercial invoice
7. Certificate of origin
8. Package list
9. Bill of entry
10. Insurance cover note
11. Clean report of findings

3.3.2 Import Financing

There are two ways of import financing. Those are given below:

Pre shipment Finance:

We know that L/C is the way by which a commercial bank takes responsibilities to make payment instead of importer to exporter. Generally commercial bank grants the customer to open L/C against certain margin without having full coverage of the L/C amount. For the L/C opportunities Southeast bank provide direct finance of the customer.

Before grant Pre-Shipment finance Southeast Bank generally consider the following information:

1. Credit Worthiness
2. Importer performance
3. Importer Regulations
4. Marketability of goods

Post-shipment Finance:

This pattern of finance gives to the credit opportunities to the importer after shipment of goods. Post shipment finance can be grant in the following ways:

1. Payment against documents (PAD): A process by which the importer can accept/ receive delivery documents only after the full payment of the bill of exchange or invoice has been made. If everything is fine then bank arrange payment against the bills to the debit of the PAD account.
2. Loan against imported merchandise (LIM): LIM is the option given by the bank to the importer who are in fund crisis to retire the import bills and in this way to clean the product from the authority.
3. Loan against trust receipt (LTR): LTR to manage immediate liquidity of importer. LTR given to the importer when the documents covering an import shipment are given without payment. By this process the customer can hold the product of their sale revenue or income in trust for the bank until the loan grant again the trust receipt is fully paid.

3.4 Export Section

An export is a function of global business where by products produced in one country and shipped to abroad for sale or trade. If a person wants to do export business, then he or she must have valid Export Resignation Certificate (ERC) from chief controller of import and export (CCI & E) and the ERC must renew every year and the ERC number is to organize with EXP form and other documents connected with exporter.

3.4.1 Export procedure followed by Southeast Bank

- Receiving the order
- Asking to open L/C
- Booking the Flight
- Select exchange rate
- Procurements of goods
- Asking the goods insurance
- Shipment Goods
- Preparing export paper
- Securing payments
- Closing transaction

Asking to open L/C:

L/C open is must necessary for doing foreign trade business. The Southeast Bank PLC provides its clients a printed from of L/C application for who want to do foreign trade business. A special sticky stamp is taken on the form. Importer must give the following information for opening a letter of credit,

- Full name and address of Importer or buyer.
- Full name and address of Beneficiary.
- Draft amount.
- Availability of the credit by sight payment
- Acceptance/negotiation/deferred payment.
- Time bar within which the documents should be presented.
- Sales type (CIF/FOB/C&F)
- Brief Specification of commodities, price, quantity, indents no. etc.
- Country of origin.
- Bangladesh Bank Registration no.
- Import License/ LCF no.
- IRC no.
- Account no.
- Documents required
- Insurance cover note/policy no. Date, amount.
- Name and address of Insurance Company.
- Whether the partial shipment is allowed or not.
- Whether the Trans-shipment is allowed or not.
- Last date of shipment.
- Last date of negotiation.
- Other terms and conditions if any.
- Whether the confirmation of the credit is requires by the beneficiary.

Shipment of Good's:

The exporter should take the preparation for export order for delivery of goods as per Letter of credit inducer, ready and surrender shipping papers for negotiation in due time.

Documents for shipment:

- ❖ EXP form
- ❖ ERC (valid)
- ❖ L/C copy
- ❖ Customer duty Certificate
- ❖ Shipping instruction
- ❖ Transport documents
- ❖ Insurance Documents
- ❖ Invoice
- ❖ Other Documents
- ❖ Bill of Exchange
- ❖ Certificate of Origin
- ❖ Inspection Certificate

1. Registration of Exporter: If a person wants to do export business, then he or she must fill-up the registration form and submit,

- National and asset certificate.
- Certificate of incorporation in case of limited company.
- Bank certificate.
- Income tax certificate
- A Trade license.

2. Securing the order: After receipt ERC certificate the Exporter may originate to secure the export order by contract with buyers directly or via buyer's local agents.

3. L/C application: After getting contact for sale the Exporter open letter of credit.

Exporter can open three types of L/C. Those are:

At sight L/C: By this L/C an exporter will be able to payment immediately by presenting the export documents.

Deferred L/C: By this type of L/C exporter will be able to pay after 60, 90, 120 or 180 days after negotiation. If exporter unable to payment the bill, then they can request the by writing an expansion of maturity date latter.

Back-to-Back L/C**:** Back-to-Back L/C issued by the client against an import L/C. In my 90 days internship period in southeast bank, I observed maximum Exporters open back-to-back L/C. Bangladesh bank encourage traders to Export more so Bangladesh Bank newly introduce Back-to-Back L/C opportunity so Southeast bank provides this service to exporters. Back-to-back L/C generally known as buying L/C. In Bangladesh maximum exporter export garments items so they need raw materials and they purchase row materials by this L/C then they ready their ordered products then they sell to abroad.

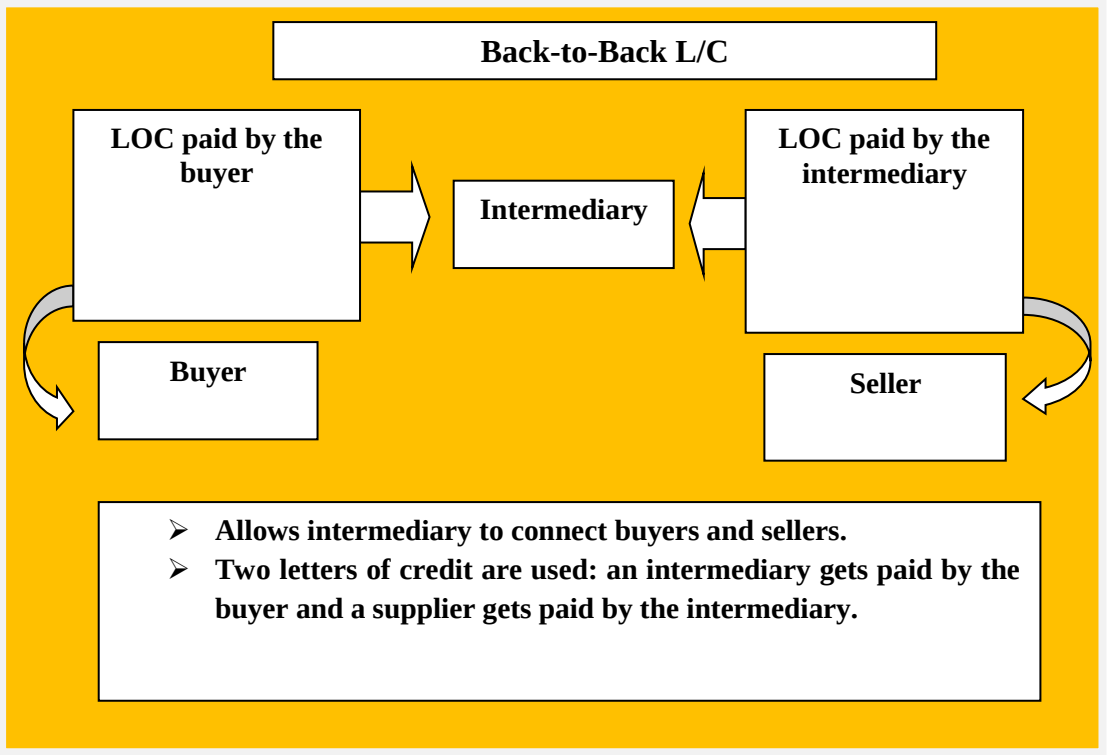


Figure 3: Back-to-Back L/C

There are three types of BTB L/C opened by Southeast Bank. Those are:

1. Back-to-Back L/C (Foreign):
   When the BTB L/C is opened by an abroad country supplier it is called Foreign BTB L/C. It is basically payable within 120 days at sight.
2. Back-to-Back L/C (EDF):
   EDF means Export Development Fund. It is provided by the ADB to Bangladesh Bank export promotion of Third-World-Country like Bangladesh. When the bank is not in a position to support the amount of Back-to-Back L/C then they apply for loans to the Bangladesh Bank for Back-to-Back (EDF).
3. Back-to-Back L/C (Local):
   When the Back-to-Back L/C is opened for local purchase of materials it is called Back-to-Back L/C (Local). It is basically payable within 90 days at sight.

Documents Required for opening Back-to-Back L/C in Southeast Bank:

The following documents are necessary for creating back-to-back letter of credit: -

- Master L/C
- L/C application copy
- Proforma invoice
- No objection letter from prior bank (if any)
- Factory supervisor certificate
- Company or importer vat registration certificate
- Insurance cover note with money receipt.

Back-to-Back L/C payment:
Customers deliver the payment of the back-to-back letter of credit after receiving acceptance the payment from the bank. Back-to-Back L/C interest rate may fluctuate from 2%-5% and this rate sate by LIBOR (London interbank offering rate). For global trade all country follows LIBOR. Then Bangladesh bank also set a rate by understanding the market situation. B2B L/C maturity period as 60-90-120 or 180 days.

(In southeast bank normal letter of credit has significant code for significant letter of credit. we know that L/ C can be local, foreign or back to back L/C. local L/C code are 04 or 03, Foreign L/C code are 06, 11 or 12. In example of local L/C number is 134418040257, Foreign L/C number may 134418060339, EDF L/C May 13441812245.In southeast Bank generally back to back letter of credit Code can be any format like 04-05-06 or 12. A L/C number must have referral bank code, last 2 digits of years number and trade serial number. In southeast bank referral code number is 1344, then use last 2 digits of years number like 18, then use L/C type code like 04 and finally write use trade serial number like 100/101.)

3.4.2 Export Document Checklist
General verification/ Trial: L/C restrictions, exporter request to present all necessary paper before expiry date of the L/C, Discrepancy of the documents, Delivery challan, Truck receipt, Beneficiary certificate, packing list, Invoice, Bill of exchange, Certificate of origin, Pre-Shipment inspection certificate etc.

3.5 Valid Export-Import Customers of Southeast Bank
In southeast bank maximum exporters and Importer are from garments industries. So, this bank mainly handles export of readymade garments. Some of their main export and import clients are:

1. Siji Garments
2. Biswas Fashion
3. Trade Sweater Factory Ltd.
4. Aliza Fashion
5. Fashion Skirt and Trousers Ltd.
6. Harrods Knitwear Ltd.
7. Rumana Fashion Ltd.
8. Next Export Zone Ltd.
9. East West Fashion Garments Ltd.
10. W-Apparels
11. T-Design and Accessories

3.6 Export Financing

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

1. Pre-Shipment Credit
2. Post-Shipment Credit

- **Pre-Shipment Credit:**

Pre-shipment credit, at the name suggests, is given to finance the activities of an exporter prior to the actual shipment of the goods for export. The purpose of such credit is to meet working capital needs starting from the point of purchasing of raw materials to final shipment of goods for export to foreign country. Before allowing such credit to the exporters, the bank takes into consideration about the credit worthiness, export performance of the exporters, together with all other necessary information required for sanctioning the credit in accordance with the existing rules and regulations. Pre-shipment credit is given for the following purposes:

- ✓ Cash for local procurement and meeting related expenses.
- ✓ Procuring and processing of goods for export.
- ✓ Packing and transporting of goods for export.
- ✓ Payment of insurance premium.
- ✓ Inspection fees.
- ✓ Freight charges etc.

An exporter can obtain credit facilities against lien on the irrevocable, confirmed and unrestricted export letter of credit in form of the following:

- ✓ Export cash credit (Hypothecation).
- ✓ Export Cash credit (Pledge).
- ✓ Export Cash credit against trust receipt.
- ✓ Packing credit.
- ✓ Back-to-back letter of credit.
- ✓ Credit against Red-clause letter of credit.

- **Export Cash Credit (Hypothecation):**

Under this arrangement, a credit is sanctioned against hypothecation of the raw materials or finished goods intended for export. Such facility is allowed to the first-class exporters. As the bank has got no security in this case, except charge documents and lien on exports L/C or contract, bank normally insists on the exporter in furnishing collateral society. The letter of hypothecation creates a charge against merchandise in favor of the bank. But neither the ownership nor the possession is passed to it.

- **Export Cash Credit (Pledge):**

Such Credit facility is allowed against pledge of exportable goods or raw materials. In this case cash credit facilities are extended against pledge of goods to be stored in the go down under bank's control by signing letter of pledge and other pledge documents. The exporter surrenders the physical possession of the goods under banks effective control as security for payment of bank due. In the event of failure of the exporter to honor his commitment, the bank can sell the pledged merchandise for recovery the advance.

- **Export Cash Credit against Trust Receipt:**

In this case, credit limit is sanctioned against trust receipt (TR). Here also unlike pledge, the exportable goods remain in the custody of the exporter. He is required to execute a stamped export trust receipt in favor of the bank, he holds wherein a declaration is made that goods purchased with financial assistance of bank in trust for the bank. This type of credit is granted when the exporter wants to utilize the credit for processing, packing and rendering the goods in exportable condition and when it seems that exportable goods cannot be taken into bank's custody. This facility is allowed only to the first-class party and collateral security is generally obtained in this case.

- **Packing Credit:**

Packing credit is essentially a short-term advance granted by a Bank to an exporter for assisting him to buy, process, manufacture, and pack and ships the goods. Generally, for movement of goods from the hinterland areas to the ports of shipment the Banks provide interim facilities by way of Packing Credit. This type of credit is sanctioned for the transitional period starting from dispatch of goods till the negotiation of the export documents. Practically except for single transaction, most of the pre-shipment credits are allowed in the form of limits duly sanctioned by Bank in favor of regular exporters for a particular period. The drawings are required to be adjusted fully once within a period of 3 to 6 months. Suiting to the breed and nature of export, sometimes an exporter may also be allowed to avail a combined Cash Credit and Packing Credit limit with fixed ceiling on revolving basis. But in no case the borrower would be allowed to exceed individual credit limit fixed for the purpose. The drawings under Export Cash Credit limits are generally adjusted by the drawing in packing credit limit, which is, in turn liquidated by the negotiation of export documents.

- **Back-to-Back Letter of Credit (BTB):**

Bangladesh is a developing country. After receiving order from the importer, very frequently exporters face problems of scarcity of raw material. Because some raw materials are not available in the country. These have to be collected from abroad. In that case, exporter gives lien of export L/C to bank as security and opens an L/C against it for importing raw materials. This L/C is called Back-to-Back L/C. In back-to-back L/C, Southeast Bank keeps no margin.

Sometimes there is provision in the export L/C that the importer can use the certain portion of the export L/C amount for importing accessories that are necessary for the making of the product. Only in that case, BTB is opened.

- **Credit against Red-clause Letter of Credit:**

Under Red clause letter of credit, the opening bank authorizes the advising bank/negotiating bank to make advance to the beneficiary prior to shipment to enable him to procure and store the exportable goods in anticipation of his effecting the shipment and submitting a bill under the L/C. as the clause containing such authority is printed in red ink, the L/C is called red clause and green clause respectively. Though it is not prohibited yet very rate in Bangladesh.

- **Post-Shipment Credit:**

This type of credit refers to the credit facilities extended to the exporters by the banks after shipment of the goods against export documents. Necessity for such credit arises, as the exporter cannot afford to wait for a long time for without paying manufacturers/suppliers. Before extending such credit, it is necessary on the part of banks to look into carefully the financial soundness of exporters and buyers as well as other relevant documents connected with the export in accordance with the rules and regulations in force. Banks in our country extend post shipment credit to the exporters through:

- ✓ Negotiation of documents under L/C
- ✓ Foreign Documentary Bill Purchase (FDBP)
- ✓ Advances against Export Bills surrendered for collection

- **Negotiation of documents under L/C:**

The exporter presents the relative documents to the negotiating bank after the shipment of the goods. A slight deviation of the documents from those specified in the L/C may arise an excuse to the issuing bank to refuse the reimbursement of the payment already made by the negotiating bank. So, the negotiating bank must be careful, prompt, systematic and indifferent while scrutinizing the documents relating to the export.

- **Foreign Documentary Bill Purchase (FDBP):**

Sometimes the client submits the bill of export to bank for collection and payment of the BTB L/C. In that case, bank purchases the bill and collects the money from the exporter. Southeast Bank subtracts the amount of bill from BTB and gives the rest amount to the client in cash or by crediting his account or by the pay order.

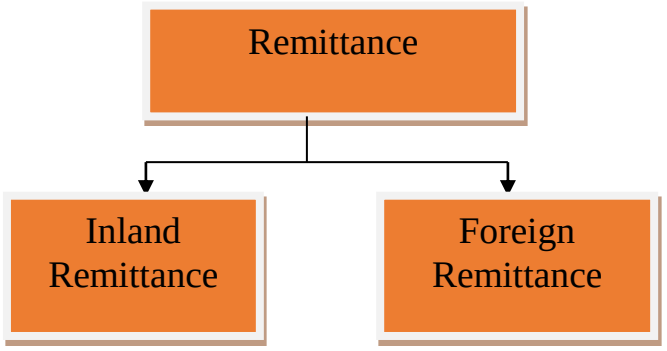
- **Advances against Export Bills surrendered for Collection:**

Banks generally accept bills for collection of proceeds when they are not drawn under an L/C or when the documents, even though drawn against an L/C contain some discrepancies. The bank generally negotiates bills drawn under L/C, without any discrepancy in the documents, and the exporter gets the money from the bank immediately. However, if the bill is not eligible for negotiation, the exporter may obtain advance from the bank against the security of export bill. In addition to the export bill, banks may ask for collateral security like a guarantee by a third party and equitable/registered mortgage of property.

3.7 Foreign Remittance Section

When transfer money from one location to another location without any physical transfer mode it called remittance. Foreign remittance Service is strong revenue generation service business in banking sector, so Southeast Bank very active in this remittance business. In Southeast Bank foreign remittance section is under foreign exchange department. Southeast Bank remittance collected through foreign exchange selling, export-import business, individual funds transfer from abroad country and etc. Southeast Bank has established relationship with 30 foreign exchange houses located in UAE, USA, and Qatar etc. and also maintain relationship with three local exchange houses.

Types of remittance:



1. Inland Remittance: When fund transfer take place between two locations/state or city of a country then it's called inland remittance.
2. Foreign Remittance: When fund transfer from abroad country to local country then it called foreign remittance.

3.7.1 Foreign Remittance deals by Southeast Bank

1. Inward foreign Remittance**:** When fund transfer abroad country bank account to local country bank account it's called inward foreign remittance. For example, A person live in UAE and he/she transfers money by a UAE bank account to local bank like, Southeast Bank. In Southeast Bank IFR issue by following ways:
   - Foreign Demand Draft (FDD) payable
   - Foreign Telegraphic Transfer (FTT) payable
   - Buying foreign currency
   - Encashment of foreign currency
   - TC payable
2. Outward Foreign remittance**:** When fund transfer from a local country bank account to abroad country bank account, it called outward foreign remittance. By this service Southeast Bank want customer passport for endorsement.

   Outward foreign currency can be made for following purpose:
   - Attending seminar to foreign country.
   - For educational purposes.
   - For Travel.
   - For medical treatment purpose.

   Outward foreign Remittance issued by following ways:
   - By FDD issue
   - By FTT issue
   - By TC issue

3. Opening Student File Service**:** Southeast Bank provide opening student file services for student who studying abroad. By this service students can pay their educational institutions tuition fees.

Necessary documents needed to open Student file:

- Client Original passport and Visa copy.
- Financial condition of his/ her family.
- Information regarding foreign country educational institutions tuition fees.
- Offer letter from foreign country educational institutions.

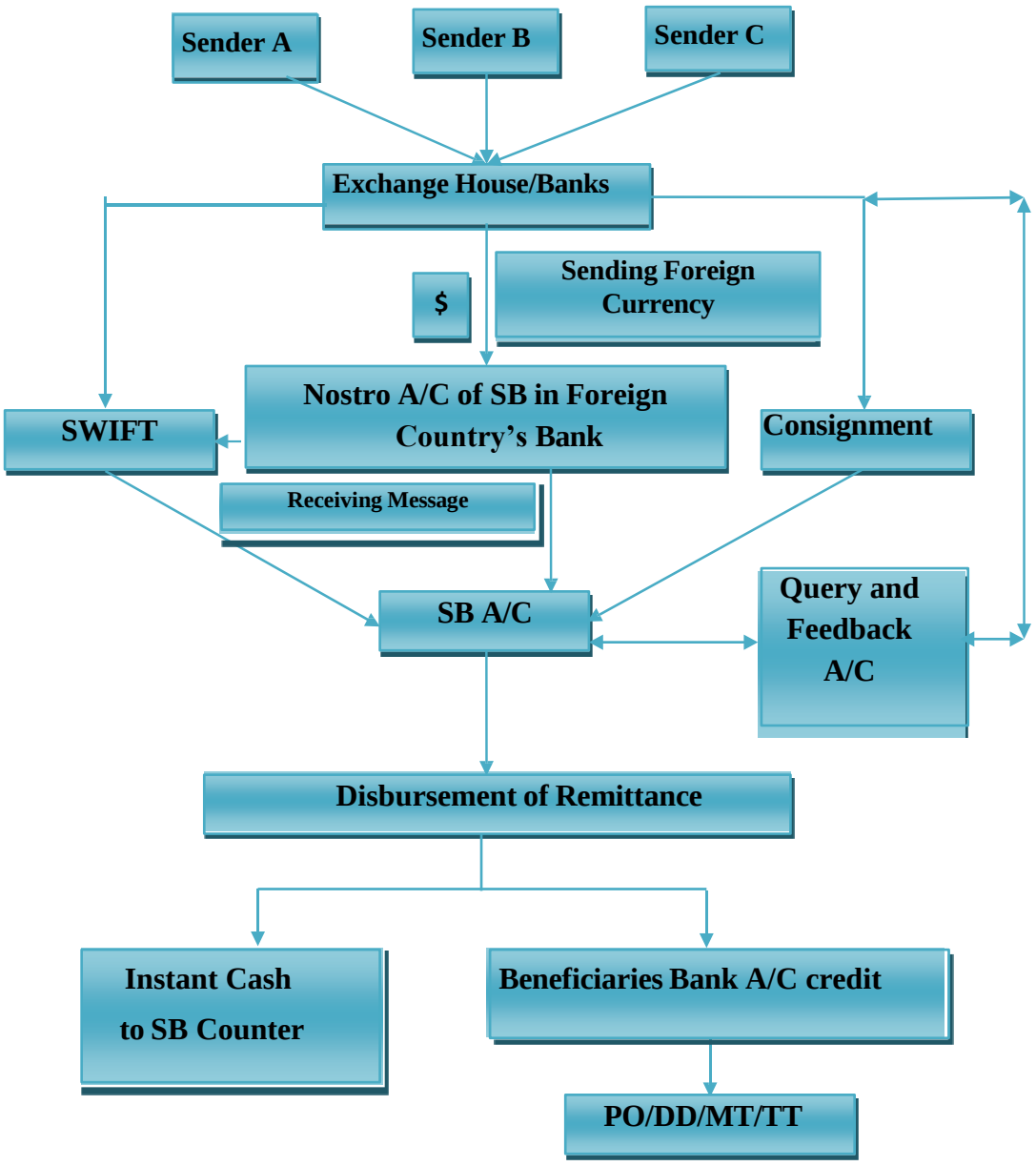


Figure 4: Process of Inward Remittance Transfer

Describing the Inward remittance Process:

Entity-1 Sender:

Sender is person or any organization sending currency to our country. Here, it is to be noted that they send money in foreign currency that means the currency of that country in which they lived. This country is also termed as host country and on the other hand, country receiving such money is known as home country.

Entity-2 Exchange House:

Exchange Houses are those organizations or Banks established in Host countries which act as a middle man or as a dealer of transferring the currency between the host country and the home country. Generally, they have contractual agreement with the Banks of Home countries. Like Southeast Bank has contractual dealing agreement with twelve (12) different exchange houses situated in different countries in the world.

Entity-3 Nostro Account of Southeast Bank in Host Countries:

This is an account maintained by any entity in foreign country or host country for transferring international currency. Nostro accounts are usually in the currency of the foreign country. This allows for easy cash management because currency doesn't need to be converted. Like Southeast Bank has its Nostro Account with HSBC, Standard Chartered and USA and Europe. Generally, when a sender provide currency to any exchange house or Banks in host country, the house or banks transfer that currency to their Nostro Account. And this money is then sent to the home country's Nostro account and though SWIFT

Entity-4 SWIFT:

SWIFT is the Society for Worldwide Interbank Financial Telecommunication, a member owned cooperative through which the financial world conducts its business operations with speed, certainty and confidence. Over 8,300 banking organizations, securities institutions and corporate customers in more than 208 countries trust us every day to exchange millions of standardized financial messages.

Their role is two-fold. They provide the proprietary communications platform, products and services that allow their customers to connect and exchange financial information securely and reliably. They also act as the catalyst that brings the financial community together to work collaboratively to shape market practice, define standards and consider solutions to issues of mutual interest.

SWIFT is solely a carrier of messages. It does not hold funds nor does it manage accounts on behalf of customers, nor does it store financial information on an on-going basis. As a data carrier, SWIFT transports messages between two financial institutions. This activity involves the secure exchange of proprietary data while ensuring its confidentiality and integrity.

Consignment:

Consignment is the payment instructions under local send by the exchange house to our Bank. Here, it is to be noted that the exchange house or banks which provide fund earlier to Southeast Bank's Nostro Account, receive confirmation about that and Southeast Bank's International Division send an exchange rate to them and equivalent amount of currency is being disbursed form the Exchange house account.

- **Modes of Foreign Inward Remittance:**

Generally Inward Remittance takes the following modes:

- ✓ Telegraphic transfer (TT)
- ✓ Demand Draft (DD)
- ✓ Mail Transfer (MT)
- ✓ Travelers Cheque (TC)

Besides, Inward Foreign Remittance also includes remittance on account of export, purchase of bills, purchase of drafts, purchase of TC etc. Local Currency debited to Non- Resident Taka Accounts of foreign banks or Convertible taka Account constitutes Inward Remittance of Foreign Exchange.

- **Purposes of Inward Remittance:**

Generally, the purpose of inward remittance is Family maintenance, Indenting Commission, Recruiting Agents Commission, Realization of export proceeds, Donation, Gift etc.

- **Payment Procedures: DD/MT/TT:**

The paying bank must observe the following procedure while making payment:

- ✓ Verifies the instrument to see that it is in order. (Amount, name of beneficiary and remitter's particular).
- ✓ Verifies the signatures of the authorized officers of the issuing bank.
- ✓ Verifies the test number (if any).
- ✓ Convert the foreign currency in Taka. (Where payment has to be made in BD Taka) at the prevailing rate. To obtain form if the remittance is equivalent to USD 2000 or above.
- ✓ In case of big amount, the paying branch before effecting payment may take confirmation from the issuing bank.
- ✓ Value date to be observed (Value date the particular date of crediting Nostro A/C).
- ✓ Purpose of the remittance to be executed.
- ✓ To prepare FET schedule and send first five copies with voucher to International Division of Head office.

- **Payment of TC:**

Travelers Cheques may be paid at the counter of the bank on presentation, obtaining signature of the purchaser on the T.C. After verifying the signature of the holder with the signature already on the T.C the payment will be affected in local currency at the prevailing conversion rate. The T.C may also be able to be deposited in foreign currency account. T.C's are being issued by some reputed banks & CO's of the world, such as:

- ✓ The American Express Bank
- ✓ The City Bank
- ✓ The National West Minister Bank
- ✓ The Barclay's Bank
- ✓ The Bank of Oman

T.C is bought and sold by the banks with which arrangements have been made by the issuing banks. T. C's are being paid at the T.T clean buying rate. The Travelers Cheques bought by the bank have to be sent to their foreign correspondents with the instruction to credit the proceeds on collection to their NOSTRO account with them.

- **Payment of Foreign Currency Notes:**

Authorized branches of the bank are allowed to make payment of F.C notes in equivalent Taka currency at the prevailing rate (T.T Clean buying rate). ADs and money changers may freely buy foreign currency from incoming passengers regardless of nationality and regardless of whether or not declaration of form FMJ is produced at the time of encashment. If this form is produced, the amount encashment should be endorsed on it, (BB FET Guide Ch. 9/12)

Generally, two foreign currencies namely USD & GBP are being bought and sold along with two other currencies like K.S.A Riyal & Kuwaiti Diner.

These above currency notes are normally disposed in the following ways:

- ✓ By selling them to Travelers abroad. In this case, endorsement has to be made in the Passport of the Travelers.
- ✓ By sending them to foreign correspondent/agent for depositing to banks NOSTRO account. But in this particular case, approval of Bangladesh Bank is required and customs clearance has to be obtained.
- ✓ By selling them to another Authorized Dealers. (FET Schedule is not required while transacting in each foreign currency.)

- **Receipt of Taka draft, issued by the different Exchange House and Payment there of:**

The commercial banks in Bangladesh established take drawing arrangements with different exchange companies having prior approval of Bangladesh Bank. The exchange companies draw take drafts on the nominated branches of the banks. The exchange companies remit cover fund of their drawings in US Dollar. The bank purchases such USD and credits the Taka proceeds to the Taka Account of the Exchange companies. The drafts are being paid by debit to NRT A/C of the Exchange companies provided the instruments are found otherwise in order.

- **Cancellation of Inward Remittance:**

If an inward Remittance already reported to Bangladesh Bank is to be cancelled, either in full or partial, because of non-availability of the beneficiary, the AD must report the cancellation of the inward remittance as are outward remittances on TM form. The return in which the reversal of the transaction is reported should be supported by a letter giving

- Reference of the return in which the inward remittance was reported.
- Name and address of the beneficiary
- Amount and reason for cancellation
- Amount of purchase as affected originally

- **Reporting to Bangladesh Bank:**

All the foreign exchange transactions of each month on inward remittance have to be reported to Bangladesh Bank through statements along with schedules before a stipulated date.

- **Foreign Outward Remittance:**

All remittances from Bangladesh to a foreign country, i.e., foreign currency being made out abroad may be termed as foreign outward remittance. Most outward remittances are approved by the ADs following the declaration of Taka as convertible for current accounts payments from March, 1994. Bangladesh Bank's prior approval is required only for special cares.

- **Common Modes of Foreign Outward Remittance:**

Like Foreign Inward Remittance, TT, DD, MT & TC are the common modes of Foreign Outward Remittance. TT, DD, MT & TC may be issued by Authorized Dealers (AD) in Bangladesh drawn on their foreign correspondents. Outward remittance may also be affected by selling foreign currency notes by AD to travelers. Besides, Local currency credited to NRTK account of foreign banks or convertible Taka account constitutes outward foreign remittance. Outward foreign remittance also comprises remittance on account of import and private remittance on sundry items.

- **Purpose of Outward Remittance:**

Import bills, Travels, Treatment purposes, Membership fees, Fees for Application, Examination fees (TOFEL, GRE, GMAT etc.), Registration fees, Admission fees, Tuition fees, Hajj, Profits and dividend of Foreign Investment, Insurance claim etc.

- **Checking points for Outward Remittances:**

✓ Application for foreign currency draft or remittance by means of Telegraphic Transfer to be obtained.
✓ IMP form for Import and for other purpose T.M, form is to be duly filled in and signed by the applicant.
✓ Permission from Bangladesh Bank for remitting foreign currency exceeding normal quota as per standing circular of Bangladesh Bank.
✓ Obtaining Govt. Order (GO) for Govt. employees.

- **Issuance of TT:**

✓ A test number is to be provided
✓ Beneficiary's name & A/C no to be mentioned clearly
✓ Amount in words and figures to be clearly written
✓ TT confirmation must be issued in the same day
✓ Purpose to be executed

- **Issuance of DD:**

✓ DD is to be crossed Account Payee
✓ Date of issuance must be mentioned
✓ Amount in words & figures to be clearly mentioned
✓ Name of the Drawee bank along with branch name must be appear on the face of the instrument.
✓ Putting authorized signature of two issuing bank Officials on the draft
✓ Protect graph machine is to be used for protection against fraud and forgery.
✓ Insertion of test number as per agency arrangement is a must.

- **Cancellation of Outward Remittance:**

In the event of any remittance which has already been reported to Bangladesh Bank may be cancelled & payment may be made to the applicant by cancellation after observing all existing formalities. Bangladesh Bank should also be reported about the cancellation of the outward remittance as inward remittance, along with all related information. The bank has a wide network of correspondents over the world, which enabled it to procure good business during the year. The volume of import and export business handled by the Southeast Bank during the year 2022 was around USD 801.00 million respectively. In conformance with instruction of Bangladesh Bank all gains or losses arising on conversion of foreign currencies in hand into local currency due to re-fixation of rate's are kept in equivalent Taka in a separate fund account called exchange equalization fund. Foreign currency transactions related to depositors are converted into Taka using exchange rates. Upon realization of the transactions, any gain is credited or loss is charged to the profit and loss account. At the balance sheet date, the monetary assets and liabilities are re-converted to Taka using exchange rates prevailing on that date.

CHAPTER- FOUR
Export Import Performances of Southeast Bank PLC

4.1 Import Business

4.1.1 Performance of Import

Here are the data of last 5 years performance of Import of Southeast Bank,
Taka in Millions

Year	Total Import Amount (Taka in Millions)
2018	242294.80
2019	248901.33
2020	221825.40
2021	313262.70
2022	331880.10

Source: Annual Report of Southeast Bank PLC (2018-2022)

Table 1: Performance of Import of Southeast Bank

Graphical Presentation:

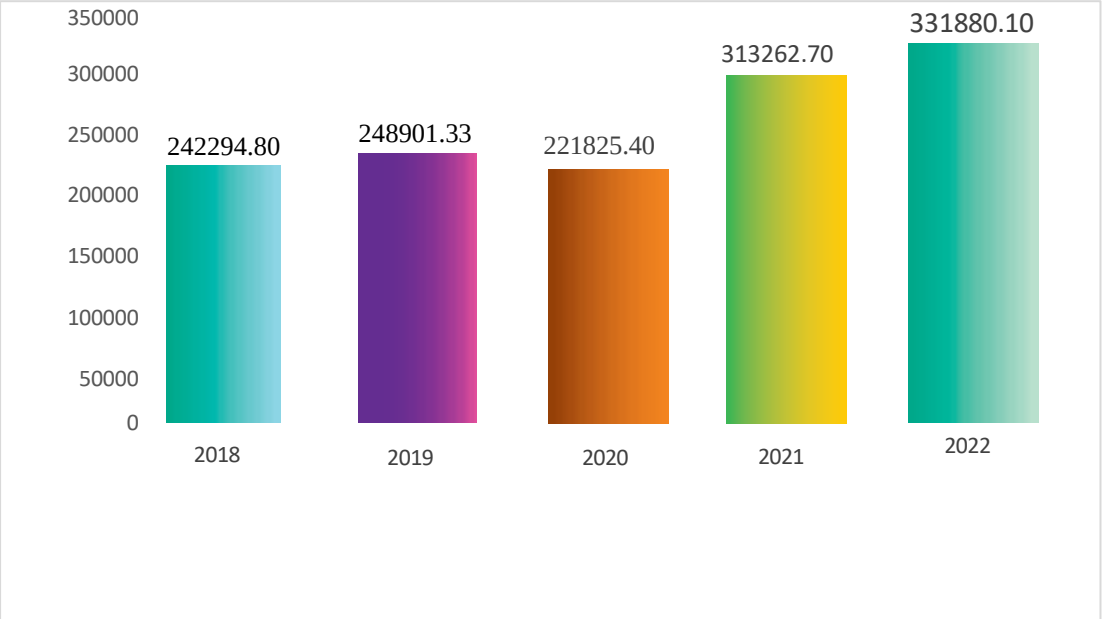


Figure 5: Performance of Import of Southeast Bank

Interpretation:

Performance of import of Southeast Bank shows that, in the year 2018 (Base Year) total import amount is Tk. 242294.80 million and rising gradually every year and in the year of 2022 the bank total import amount is Tk. 331880.10 million.

4.1.2 Proportion of Earnings of Import in Total Income

Import business contributed a great portion in the total income of Southeast Bank in last 5 years. This is shown graphically below:

Year	Proportion of Earnings of Import in Total Income
2018	23.12%
2019	14.39%
2020	15.50%
2021	11.08%
2022	24.59%

Source: Annual Report of Southeast Bank PLC (2018-2022)

Table 2: Proportion of Earnings of Import in Total Income

Graphical Presentation:

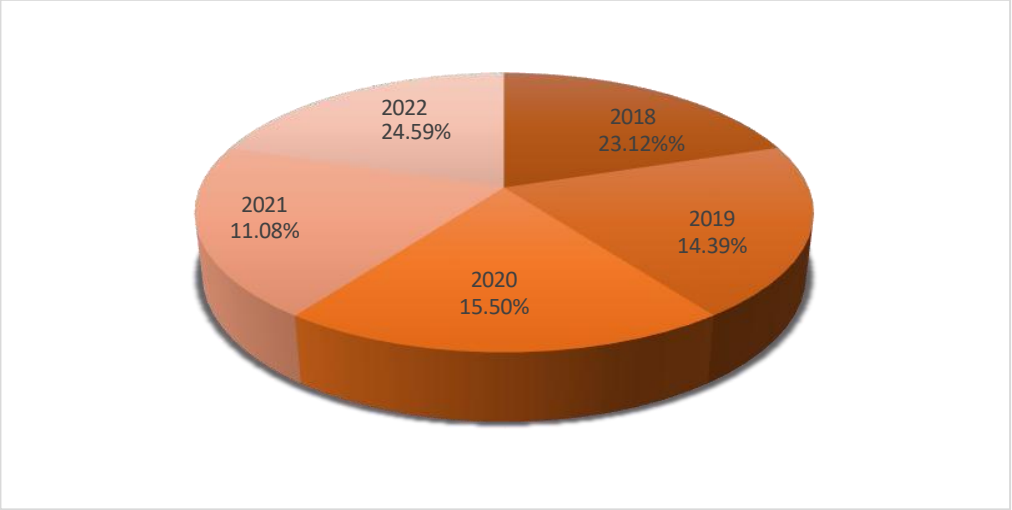


Figure 6: Proportion of Earnings of Import in Total Income

Interpretation:

Here we see that, the Import business is contributing a great portion in bank's total income. In the year 2018 the import business contributed 23.12% of banks total income but it consistently reduced in 14.39% in 2019, 15.50% in 2020 and 11.08% in 2021. But in the year of 2022, it again raised to 24.59%.

4.1.3 Growth of Import Earnings

In this part we are showing the growth of import earnings of Southeast Bank in the last 5 years,

Year	Growth of Import Earnings
2018	16.88%
2029	17.08%
2020	30.28%
2021	32.94%
2022	6.78%

Source: Annual Report of Southeast Bank PLC (2018-2022)

Table 3: Growth of Import Earnings

Graphical Presentation:

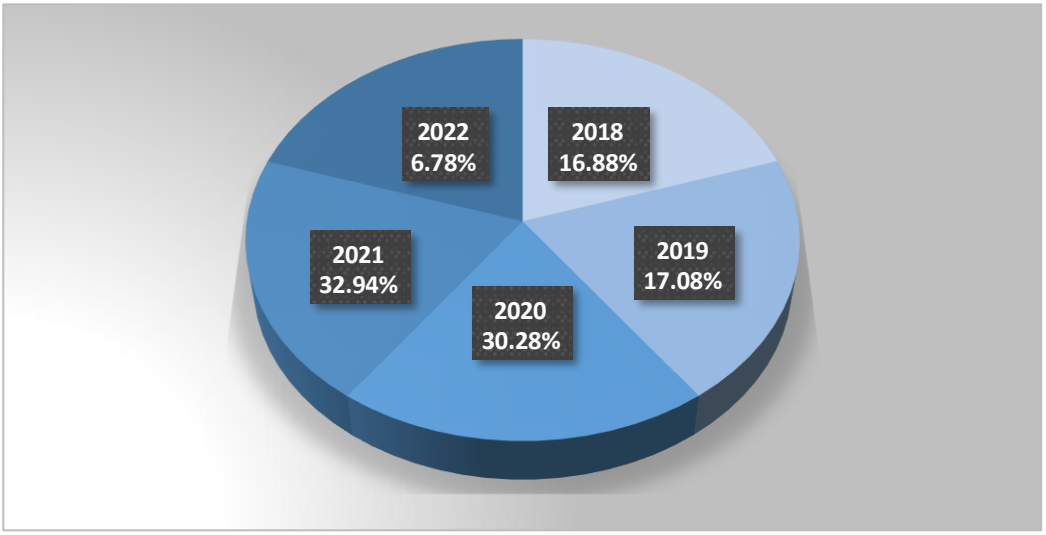


Figure 7: Growth of Import Earnings

Interpretation:

As per the graphical presentation, we see that, growth of import earnings is gradually increasing from the year 2018 -2022 but in the year 2022 the growth rate is reduced to 6.78% because the total import is not increased at that rate from the last years.

4.2 Export Business

4.2.1 Performance of Export

Here are the data of last 5 years export's performance of Southeast Bank,
Taka in Millions

Year	Total Export Amount (Taka in Millions)
2018	190402.80
2019	205907.10
2020	176419.60
2021	220402.80
2022	272588.60

Source: Annual Report of Southeast Bank PLC (2018-2022)

Table 4: Performance of export earnings

Graphical Presentation:

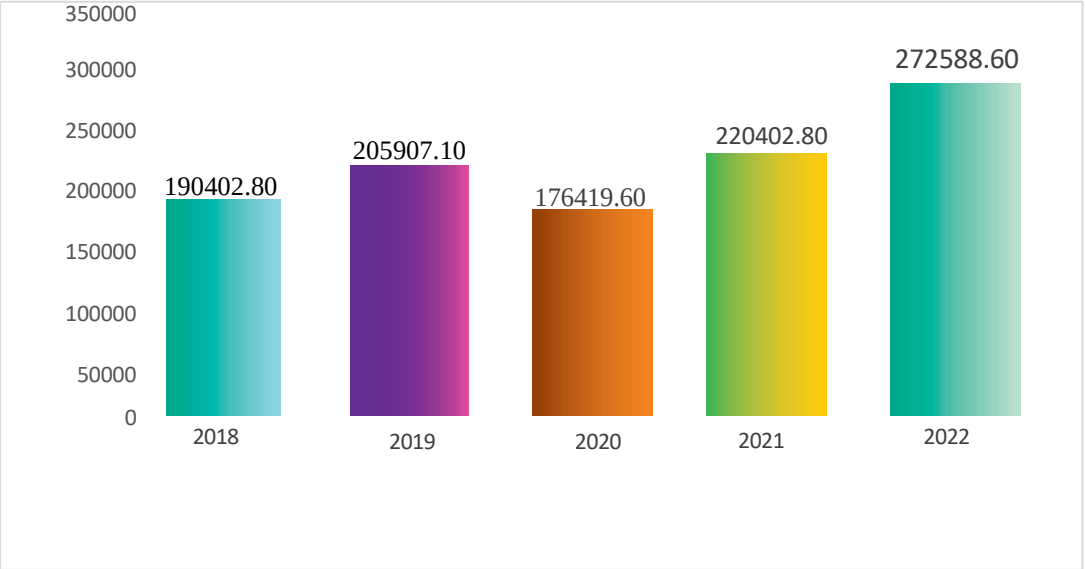


Figure 8: Performance of export of Southeast Bank

Interpretation:

Performance of Export shows that, export amount in 2018 is Tk. 190402.80.00 million and it is rapidly increasing every year and in the year of 202 the amount of export amount is Tk. 272588.60.00 million.

4.2.2 Earnings from Export

The export earnings of Southeast Bank consist of following:

- Documentary Collection Bills
- Amendment of L/C
- Transfer of L/C
- EXP Issue Charge

Here are the data of last 5 years Exports of Southeast Bank, Taka in Millions

Year	Earnings from Export (Taka in Millions)
2018	5.97
2019	9.12
2020	19.16
2022	30.50
2022	57.82

Source: Annual Report of Southeast Bank PLC (2018-2022)

Table 5: Earnings from Export of Southeast Bank

Graphical Presentation:

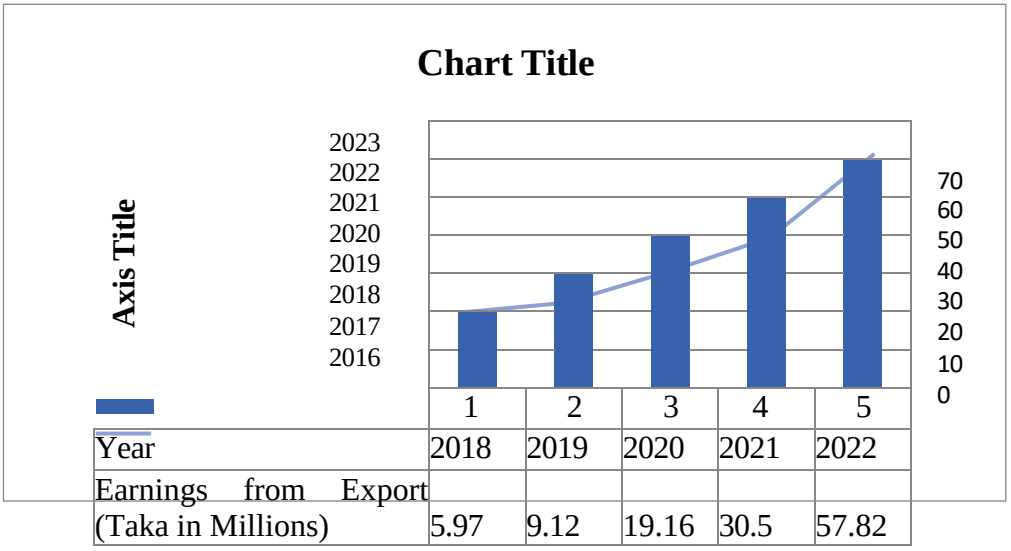


Figure 9: Earnings from Export of Southeast Bank.

Interpretation:

It is found that the export revenue is increasing day by day. The growth rate, in 2018, was 5.97% and in 2019 it moved to 9.12%. Then in 2021 it moved to 30.50% and 57.82% in 2022.

Proportion of Earnings of Export in Total Income:

Import business contributed a great portion in the total income of Southeast Bank in last 5 years. This is shown graphically below:

Year	Proportion of Earnings of Export in Total Income
2018	2.50%
2029	1.97%
2020	3.14%
2021	2.39%
2022	9.68%

Source: Annual Report of Southeast Bank PLC (2018-2022)

Table 6: Proportion of Earnings of Export in Total Income

Graphical Presentation:

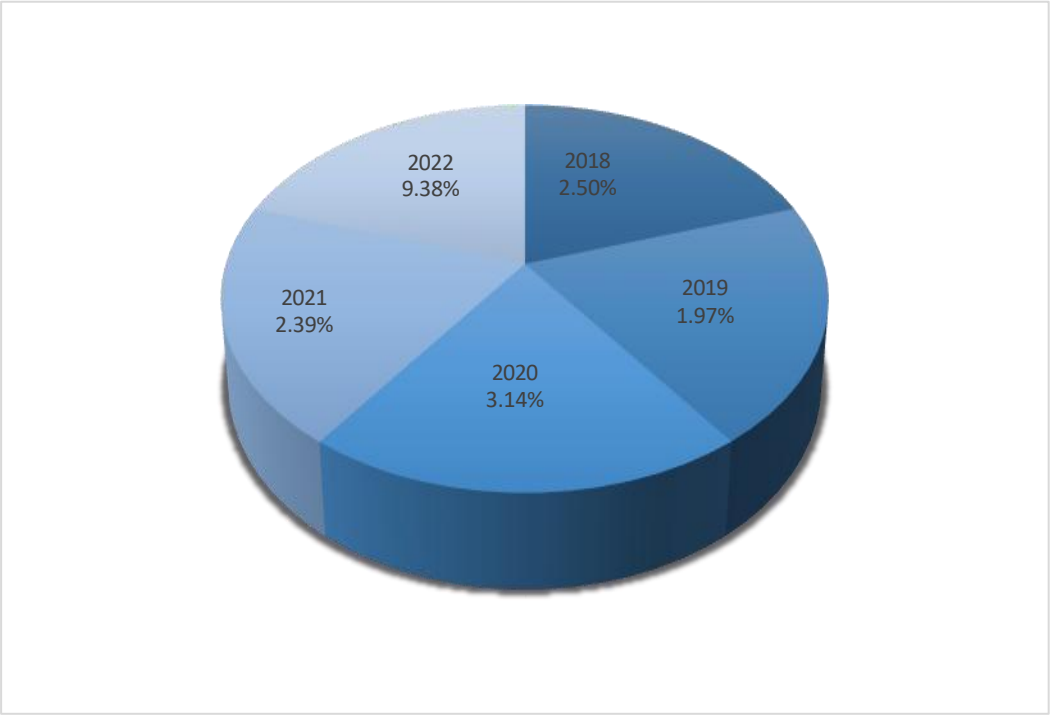


Figure 10: Proportion of Earnings of Export in Total Income

Interpretation:

Here we see that, the export business is not contributing a great portion comparing with import business in bank's total income. In the year 2018 the export business contributed only 2.50% of banks total income and it's consistently goes ups and downs up to 2021. But in the year of 2022, it again moved to 9.38% which is the highest from the last years.

Growth of Export Earnings:

In this part we are showing the growth of export earnings of Southeast Bank in the last 5 years.

Year	Growth of Export Earnings
2018	16.82%
2019	17.68%
2020	14.25%
2021	19.18%
2022	23.68%

Source: Annual Report of Southeast Bank PLC (2018-2022)

Table 7: Growth of Export Earnings

Graphical Presentation:

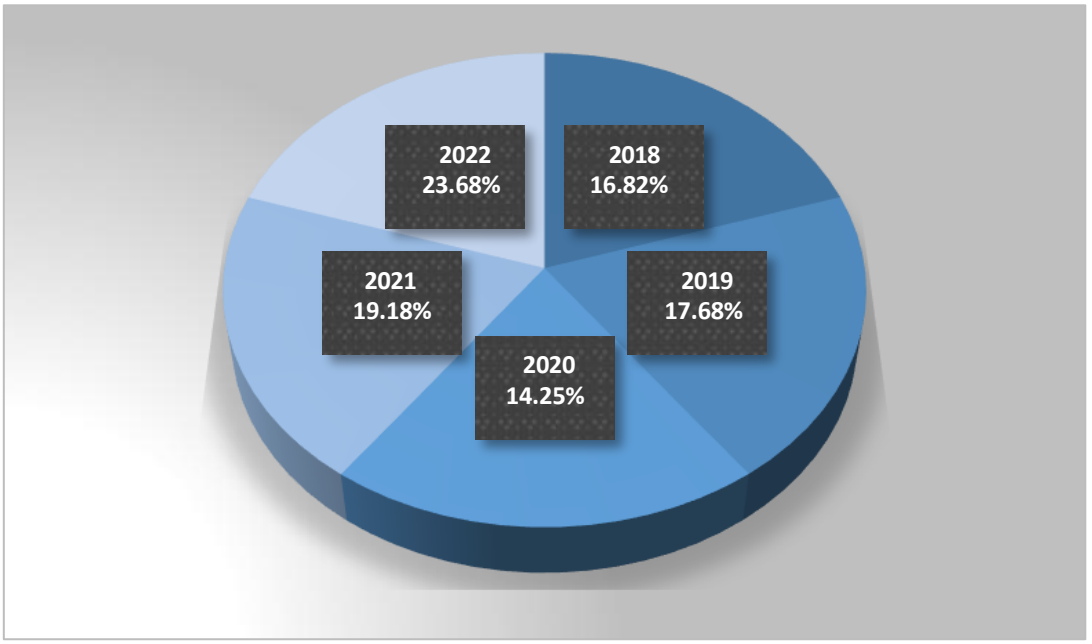


Figure 11: Growth of Export Earnings

Interpretation:

As per the export business does not contributing a great portion in bank's total income but the growth rate of export earnings shows that it is gradually increasing from 16.82% in 2018 to 14.25% in 2020. But it reduced to 19.18% in 2021 but it again moved to 23.68% in 2022.

4.3 Remittance Business

4.3.1 Performance of Inward Remittance

Earning particulars from inward remittance are,

- Issuance of Cash & Endorsement of Passport
- Remittance by TT
- Cash Incentives handling charges

Year	Wage-earner's Remittance Received by Country (in million USD)	Wage-earner's Remittance Received by Southeast Bank (in million USD)	Market Share
Y-2018	15,545	555	3.6%
Y-2019	18,332	682	3.7%
Y-2020	21,742	483	2.2%
Y-2021	22,071	505	2.3%
Y-2022	21,087	801	3.8%

Source: Annual Report of Southeast Bank PLC (2018-2022)

Table 8: Performance of Inward Remittance of Southeast Bank

Graphical Presentation:

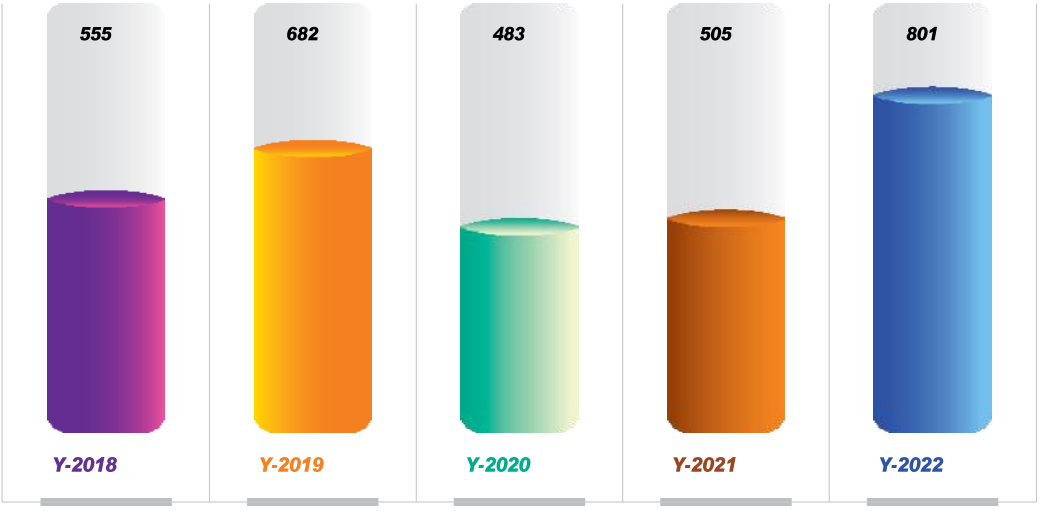


Figure 12: Performance of Inward Remittance of Southeast Bank

Remittance Received by Southeast Bank (in million USD)

Interpretation:

The inward remittance has increased day by day. In 2018 it was USD 555 million and in 2019 it was USD 682 million. Then in 2022 it moved to USD 801 million.

4.3.2 Growth of Inward Remittance

In this part we are showing the growth of inward remittance of Southeast Bank in the last 5 years.

Year	Growth of Inward Remittance
2018	3.6%
2019	3.7%
2020	2.2%
2021	2.3%
2022	3.8%

Source: Annual Report of Southeast Bank PLC (2018-2022)

Table 9: Growth of Inward Remittance

Graphical Presentation:

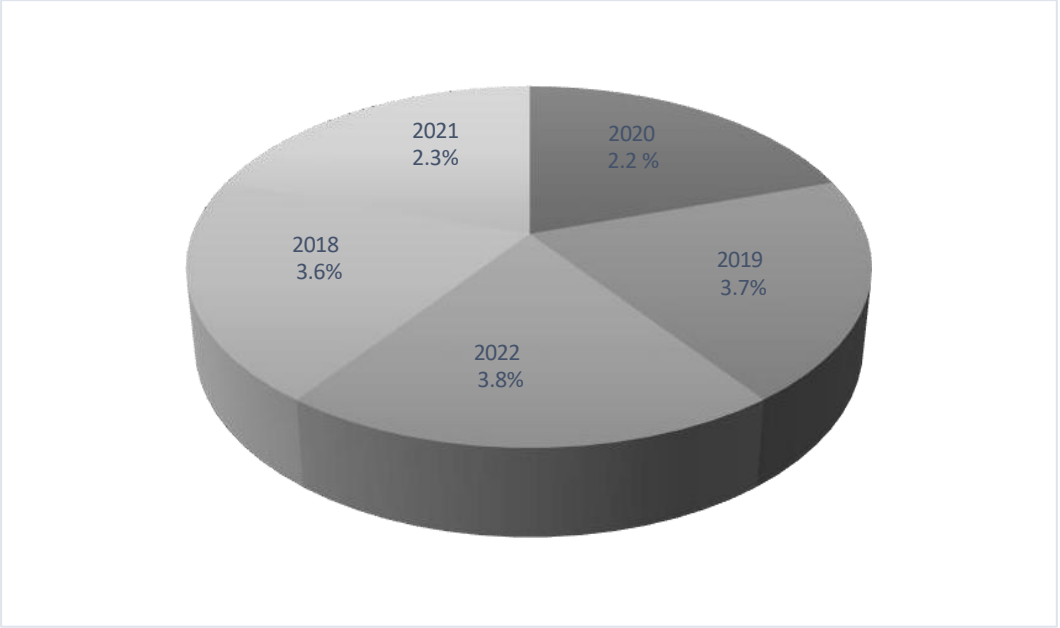


Figure 13: Growth of Inward Remittance

Interpretation:

The inward remittance has increased day by day but the growth rate is shaky. It does not portray any steady growth. In 2018 it was 3.6% comparing with the last year 2019 and in 2020 it was 3.7%. Then it suddenly went down to 2.3% in 2021 for world recession and after that it again went up to 3.8% in 2022.

4.4 Performance of Foreign Exchange

Here the table shows the five-year performance of foreign exchange, Taka in Millions.

Particulars	2022	2021	Growth in %
Import business	331,880.10	313,262.70	6%
Export business	272,588.86	220,402.8	24%
Foreign Remittance	224,900.00	150,294.60	70%

Source: Annual Report of Southeast Bank PLC (2021-2022)

Table 10: Performance of Foreign Exchange

Graphical Presentation:

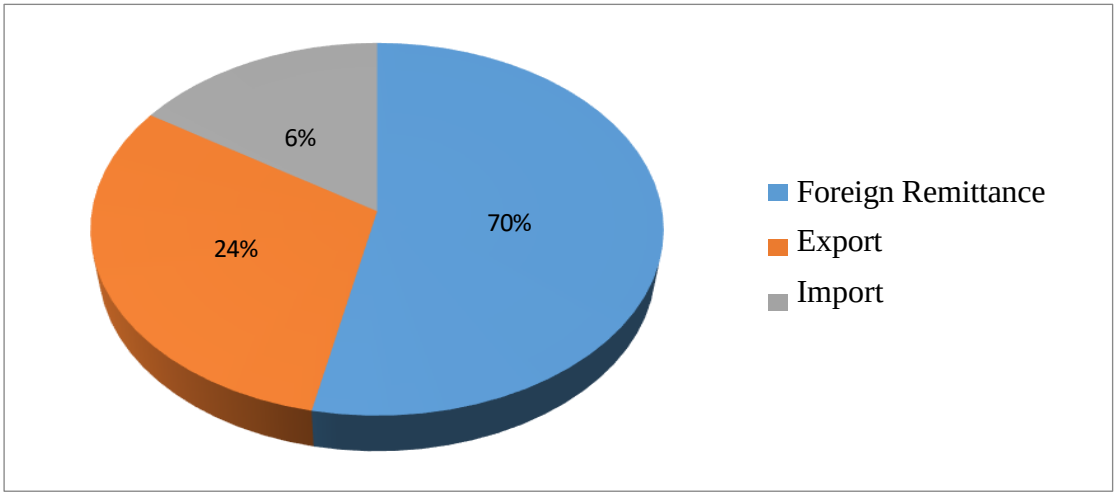


Figure 14: Performance of Foreign Exchange

Interpretation:

The graphical presentation shows that, import business plays a very vital role in foreign exchange department. In 2022, 70% of total foreign exchange business comes from import business and 6% comes from export business and the rest of it means 24% comes from the remittance business.

CHAPTER- FIVE

SWOT Analysis

5.1 SWOT Analysis

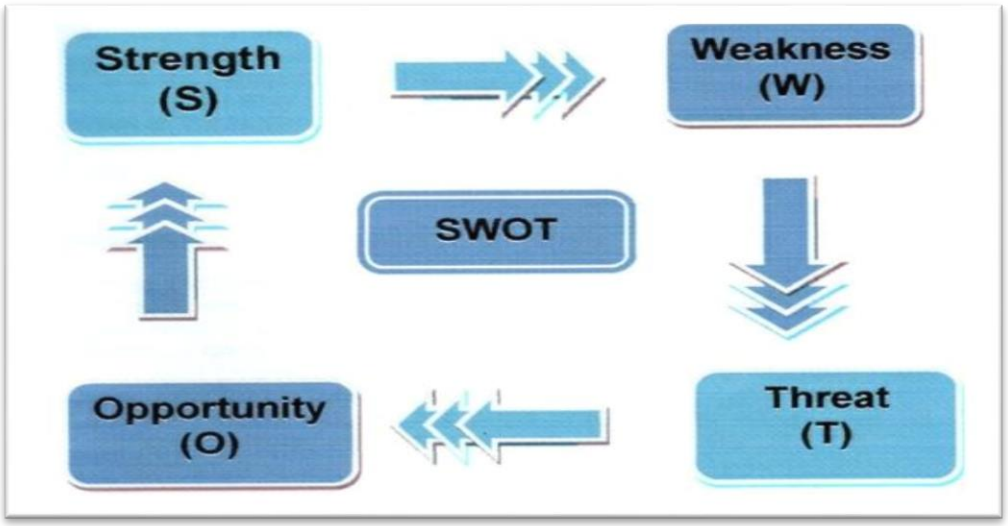


Figure 15: SWOT Analysis

5.1 Strength

1. Sound profitability & growth with good internal capital generation.
2. High quality of asset.
3. Quality products
4. Experienced & effective management team.
5. Better infrastructure facilities.
6. Good corporate culture & friendly working environment.
7. Board with financial flexibility.
8. Very good reputation as a local bank.

5.2 Weakness

1. Small market share.
2. High concentration of fixed deposit.
3. Marginal capital adequacy.
4. Lack of effective marketing/promotional activities.
5. Lack of full-scale automation.
6. High concentration of large loans.

5.3 Threats

1. Increased competition for market share in the common banking arena.
2. Market pressure for lowering the lending rate.
3. Global & local unstable political situation.
4. Vulnerable Government regulations.
5. Multinational banks with good services.
6. Default culture all over the country.

5.4 Opportunities

1. Scope of market penetration through diversified products.
2. Regulatory environment favoring private sector development.
3. Increasing trend in international business.
4. Introduction of credit card and tele-banking.
5. Value addition in products and services.

CHAPTER- SIX
Summary of Findings, Recommendations and Conclusion

6.1 Findings of the Study

The major objective of the report is to analyze the foreign exchange operations of Southeast Bank. The analysis of foreign exchange operations of Southeast Bank reveals the following findings:

1. According to the analysis most of the clients of the branch are not fully satisfied with foreign exchange service of the bank.
2. Southeast Bank has limited promotional activities about foreign exchange services to motivate its present and potential investment client.
3. Lack of innovative banking products especially for export sector. As country's export is highly dependent on RMG sector, reduce in RMG export has affected foreign exchange department of the bank.
4. Procedure of foreign exchange activities in the branch is very lengthy. Lengthy process of opening L/C is observed.
5. Technological advancement in foreign exchange activities is not so improved**.** Also, documentation and filling process of the forms for foreign exchange operation is not user friendly, which sometimes wastes valuable time.
6. It has seen that overall import and export financing growth of Southeast Bank PLC was lowest in 2020 because of global recession and in 2022 the growth rate also shrinks because the inflationary pressure in 2022 started rising from previous year, and the remittance flow greatly affected in 2020.
7. I have found that compared to Sonali and Agrani Bank, Southeast Bank has been successful in increasing their profit and foreign exchange business over the years. It's a positive sign.
8. Not all of the branches of Southeast Bank are practicing all type of foreign exchange transactions.

6.2 Recommendations

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

1. Procedure of foreign exchange activities should be made flexible and easy.
2. To flourish foreign exchange business all three types of business have to beincreased.
3. Invention of new product, diversification of traditional goods is obvious forincreasing export and remittance.
4. Southeast Bank PLC should increase number of correspondence banks.
5. Websites of the bank should be enriched with all information regarding the foreignexchange relevant facilities.
6. It is recommended Southeast Bank should exercise marketing promotion practice.

7. It is recommended that Southeast Bank should employ more talented personnel. Training is more effective way to make an employee in the relevant department.
8. Southeast Bank has few special remittance cells. Sometimes customers face problems of queries. It is recommended that Southeast Bank should maintain a more special remittance cell forpromote service.
9. Being a well reputed bank, Southeast Bank no longer wants to conduct smaller L/C request coming from small parties and as a result they are neglecting a huge number of potential customers. For the growth of the business Southeast Bank should search for potential customers as well as should provide better facilities to their existence customers.

6.3 Conclusion

Foreign exchange business has a great impact on banks overall business development. To accomplish foreign exchange business, it needs foreign currency. Foreign remittance send by expatriates is one of the sources of foreign currency. Banks needs huge amount of foreign currency to make the import payments. Bank can buy foreign currency from the inter-bank market. That will reduce the profit. Export business is another source of foreign remittance. So, it is clear that import, export and foreign remittance are interrelated among each other. Our government gives emphasize in collecting foreign remittance from abroad as it increases our foreign currency reserve. Southeast Bank should increase its AD branches to increase foreignexchange business. Some of the AD branches are not doing importing and exporting business. So, these AD branches should start all types of business. It is found that the volume of foreign remittance is better than import and export business. All the branches of Southeast Bank are engaged for foreign remittance transactions that's why volume of foreign remittance ishighest. Compared with the export, import volume is higher. From the above study it can be said that if Southeast Bank takes proper steps for arranging easier way for inflow of foreign remittance and skilled manpower are placed for providing better service, then the inflow of foreign remittance will be increased significantly. For export invention of new product, diversification of traditional goods like jute, searching new destinations, build up backward linkage industries, providing incentives to export etc. are obvious for increasing export remittance.

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

Bibliography

Articles:

- Barton, T. L., Shenkir, W. G., & Walker, P. L. (2002). Making Enterprise Risk Management Pay Off: How Leading Companies Implement Risk Management. Brookfield, Connecticut: Fei Research Foundation.

- Daugaard, D., & Valentine, T. (1993). Bank Share prices and profit stability. Working Paper Series (No.31), School of Finance & Economics, University of Technology. Sydney.

- Choi, J. J., Elyasiani, E., & Kopecky, K. J. (1992). The sensitivity of bank stock returns to market, interest & exchange rate risks. Journal of Banking and Finance, 16, 983-1004.

- Gandhi, G. S. (2006). Hedging Foreign Exchange Risk - Isn't it also a risk. The Instt. of Chartered Accountants of India, "The Chartered Accountant", August 2006, Page 260-264.

- Gandhi, G. S. (2006, Novemner). Selecting a Suitable Currency Options Hedging Strategy for Managing Foreign Exchange Risk. "The Chartered Accountant". The Instt. of Chartered Accountants of India.

- Ahmed, L (2015) The Effect of Foreign Exchange Exposure on the Financial Performance of Commercial Banks in Kenya. International Journal of Scientific and Research Publications, 5(11), 115-120

- Chamberlain, S., Howe, J.S. & Popper, H. (1997). "The Exchange Rate Exposure of U.S. and Japanese Banking Institutions," Journal of Banking and Finance, 21, (6) 871-892.

- Dohring, B (2008). Hedging and invoicing strategies to reduce exchange rate exposure: a euro-area perspectives. European economy, economic papers 229. Available at http://ec.europa.eu/economy_finance/publications

- He, Ling T., A. Fayman and K. M Casey (2014) Bank Profitability: The Impact of Foreign Currency Fluctuations.

- Isaac, L (2015). Assessing the Impact of Exchange Rate Risk on Banks Performance in Nigeria. Journal of Economics and Sustainable Development. 6(6),1-14

- Ngerebo, T A (2012). The impact of foreign exchange fluctuation on then intermediation of banks in Nigeria (1970 – 2004). African Journal of Business Management 6(11) 3872 3879, DOI: 10.5897/AJBM09.113. Available online at ht tp://www.academicjournals.org/AJBM.

- Otuori, O. H. (2013). Influence of exchange rate determinants on the performance of commercial banks in Kenya. European Journal of Management Sciences and Economics, 1(2), 86-98.

- Taiwo, O., Adesola, O A (2013). Exchange rate volatility and bank performance in Nigeria. Asian Economic and Financial Review, 2013, 3(2):178-185.

- Wong, E., Wong, j and Leung, P (2008). The foreign exchange exposure of Chinese banks. Hong Kong Monetary Authority, working paper 07/2008.

- Bergen, J. V. (2010). Factors that Influence Exchange Rates. Investopedia. Retrieved from http://www.investopedia.com/articles/basics/04/050704.asp#axzz288SmcagR

- Karfakis, C., & Kim, S. J. (1995). Exchange Rates and the Current Account News: Some Evidence from Australia. Journal of International Money and Finance, 14, 575-595.

- Solnik, B. (2000). International Investments (4th ed.). Addison-Wesley Copyright Addison Wesley Longman.

- Ani, W. U., Ugwunta D. O., & Okanya, O. (2013). The Effect of Foreign Exchange Reforms on Financial Deepening: Evidence from Nigeria. International Journal of Business and Commerce, 2(3), 204-209.

- Owoeye, T., & Ogunmakin, A. A. (2013). Exchange Rate Volatility and bank Performance in Nigeria. Asian Economic and Financial Review, 3(2), 178-185.

- Baliamoune-Lutz, N. (2006). Financial Reform and the Mobilization of Domestic Savings: The Experience of Morocco. Working Papers RP2006/100, World Institute for Development Economic Research (UNU-WIDER).

- Grammatikos, T., and A. Saunders. 1986. Futures price variability: A test of maturity and volume effects. Journal of Business 59:319-29.

Books:

- ✓ Foreign exchange regulation, published from Bangladesh Bank. [2015]
- ✓ Foreign exchange regulation, published from Bangladesh Bank. [2015]
- ✓ Khan,A,R. (2012) Fundamentals of Banking, S S Publishers.
- ✓ Kotler, P. and Armstrong, G.(1999).Principles of marketing.4th ed. Scarborough, Ont.:

  Prentice Hall Canada.
- ✓ Malhotra, N. (2008). Marketing Research. 5thed. New Delhi: Prentice Hall of India.
- ✓ Robbins, S. and Judge, T. (2013). Organizational Behavior. 15th ed. Boston: Pearson.
- ✓ Shekhar, K. and Shekhar, L. (2010). Banking: theory and practice. 21st ed. New Delhi: VikasPud. House Pvt. Ltd.
- ✓ Syed Ashraf Ali& R.A. Howlader. (2005). "Banking Law and Practice
- ✓ Weihrich, H. and Koontz, H. Management, McGraw- Hill, Inc.

Annual Reports:

1. Annual Reports of Southeast Bank PLC on 2018
2. Annual Reports of Southeast Bank PLC on 2019
3. Annual Reports of Southeast Bank PLC on 2020
4. Annual Reports of Southeast Bank PLC on 2021
5. Annual Reports of Southeast Bank PLC on 2022
6. Half yearly Annual Reports of Southeast Bank PLC on 2023

Web References

- ✓ https://www.Southeastbank.com.bd/
- ✓ https://www.southeastbank.com.bd/documents/pdf
- ✓ www.bb.org.bd/aboutus/regulationguideline/foreignexchange/php.

Appendices

Appendix 1

Questionnaire for Customer

Data:

Name:

Designation:

1. What do you think about existing foreign exchange facilities of Southeast Bank PLC?
   a) Facilities are not enough
   b) Facilities are sufficient

2. Are you satisfied with customer service of Southeast Bank PLC?
   a) Satisfied
   b) Dissatisfied
   c) Expects better service

3. What do you think about technological advancement in transaction foreign exchangeactivities in Southeast Bank PLC?
   a) Improved
   b) Improving

4. Is the procedure of foreign exchange activities very lengthy in Southeast Bank PLC?
   a) Yes
   b) No

5. Do you think all branches of Southeast Bank PLC are practicing all types of FEtransactions?
   a) All branches are practicing
   b) Some branches are practicing

Appendix 2

Questionnaire for Employees

Date:
Name:

Branch Name:

1. What do you think about existing number of correspondence banks of Southeast Bank PLC?

   a) Existing number is low
   b) Existing number should be increased
   c) Existing number is enough

2. How foreign exchange business can be improved?

   a) New client should be searched
   b) Providing better facilities
   c) Recruiting more employees

3. Is manpower enough in the FE department of Southeast Bank PLC?

   a) Less than required
   b) More than required
   c) Sufficient

5. How inflow of foreign remittance can be increased?
   a) Increasing foreign correspondence bank
   b) Increasing exporting
   c) Opening separate remittance cell
6. Is import business much popular than export or remittance business with customers of Southeast Bank PLC?
   a) Yes
   b) No