An Internship Report on

"Foreign Exchange Operation of Sonali Bank PLC."

SUBMITTED TO

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DATE OF SUBMISSION: 26th, 2025

Letter of Transmittal

26th May, 2025
Md. Amdadul Hoque

Associate Professor & Chairman

Head of The Department of Finance and Banking

Faculty of Business Studies

Comilla University, Comilla.

Subject: Submission of Internship report on "Foreign Exchange Operation of Sonali Bank PLC."

Honorable Sir,
With due respect, I would like to inform you that, it is a privilege and great pleasure for me to submit the internship paper on **"Foreign Exchange Operation of Sonali Bank PLC"** This paper aims to analyze the influence of Foreign Exchange Operation of Bank , since it is a mandatory component of our MBA Program.I have completed my 3 months long internship report under your supervision was both enjoyable and challenging . I am grateful to you and cannot fully express my gratitude.

The experience has been highly beneficial and enlightening, since I have acquired knowledge that would have been unattainable otherwise. The final report is derived from data collected from multiple sources and is centered on pertinent discoveries. Graphs and tabular data have been included to offer a clear perspective. I have made a concerted effort to incorporate all pertinent details in order to create an interesting and thorough project report. Please, considers all mistakes and shortcomings as a result of human limitation. I shall be highly glad if you kindly receive this report and provide your valuable judgement.

I want to sincerely thank you for your assistance in producing the report. I am happy to address any questions you may have on this matter.

Sincerely yours -

(Soltan Mahmud Al Nabil Shad)

Class ID: 22317048
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Acknowledgement

At the very beginning I would like to express my deepest gratitude to almighty for giving me the strength and the composure to finish the task. Internship report is an essential part of the MBA program. It is a great pleasure to prepare internship report on **" Foreign Exchange Operation of Sonali Bank PLC. "**

On this manner I would like to express my deepest gratitude to my honourable academic supervisor Md. Amdadul Hoque Associate Professor & Chairman ,Head of The Department of Finance and Banking,Faculty of Business Studies.Comilla University, Cumilla.for permitting and guiding me to prepare the report.

…………………………...........

Soltan Mahmud Al Nabil Shad.

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Session: 2022-2023
Department of Finance & Banking
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Comilla University.

Student Declaration

I sincerely declare that the work in this internship report on **"Foreign Exchange Operation of Sonali Bank PLC."** is an original work done by me under the supervisor of Md. Amdadul Hoque Associate Professor & Chairman ,Head of The Department of Finance and Banking,Faculty of Business Studies.Comilla University, Cumilla.

No part of this report has been previously submitted to any other University/ College/ Institution/ Organization for any academic certificate/ degree/ diploma.

This work I have presented does not breach any existing copyright and no portion of this report is copied from any work done earlier for any degree. Information derived from the published and unpublished work of others has been acknowledged in the text and references I further undertake to identify the department against any lost or damage arising from breach of the forgoing obligation, If any.

(Soltan Mahmud Al Nabil Shad)

Class ID: 22317048
Reg No:22317048
Session: 2022-2023
Department of Finance & Banking
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Supervisor's Declaration

26th May, 2025

This is to certify that the project report on **" Foreign Exchange Operation of Sonali Bank PLC. " is done by Soltan Mahmud Al Nabil Shad , ID No: 22317048, Reg No: 22317048, Session: 2022-23** as the partial fulfillment of Master of Business Administration (MBA) degree from Department of Finance and Banking, Faculty of Business Studies, Comilla University, Comilla.

This project report has been prepared under my guideline and is a report of the authentic work carried out successfully.

…………………………..

(Md. Amdadul Hoque)

Associate Professor & Chairman

Head of The Department of Finance and Banking

Faculty of Business Studies

Comilla University, Cumilla.

Executive Summary

Sonali Bank Ltd. is a reputable bank in our nation. The banking industry in Bangladesh has been expanding and growing its number of branches. The 57 banks that operate in the financial markets provide a vital service to both the general public and the government. to understand the true performance of commercial banks. No nation can function independently without engaging in any kind of international relations. The primary cause of this is that no nation is self-sufficient in all that it needs to offer its citizens. It is possible for one nation to create more of some goods than it requires. In light of the circumstances, it is more than required to export the commodity to a different nation in order to satisfy the demand for it, and vice versa. And as a result of this circumstance, there is international trade, which is conducted according to certain protocols. Despite the fact that everyone in the globalization period is somewhat involved in international trade, nobody is entirely aware of the ins and outs of these processes. This study aims to provide an overview of import-export procedures, with a focus on foreign remittances from the local office perspective of Sonali Bank Limited.

Nearly all of the study is descriptive. This study provides an overview of the protocols and documentation that Sonali Bank Limited follows while managing international trade, including import and export as well as international remittances. A vast amount of secondary material, including manuals, annual reports, bank parikrama, and other papers, were used in the study's execution. It is stated here that no written or organized questionnaire was employed for the intended purpose.

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Chapter One

Introduction

1.1 Introduction

This chapter introduces the research subject briefly and outlines the research background, incorporating the results and problems from past studies. The problem statement is given and research objectives have been clearly described and based on which hypotheses are formed. Apart from this, this chapter also identifies the significance, scope, limitations and structure of the research project.

Bangladesh's banking sector has grown rapidly and significantly in recent years. As a result of technological advancements, globalization, and deregulation, the financial scene is rapidly changing not only in our country but all across the world. This global transformation has had an impact. Our nation's banking business has been transformed as a result of the huge impact on our banking industry. Banks must compete against both domestic and global entities in today's market. As a result, I've decided to complete my internship in the financial field.

An internship program must be completed before a MBA degree can be obtained. Additionally, MBA students at Comilla University must additionally complete an internship program. As part of the internship program, students must write a report on their organizations. I am thrilled to work as an intern at Sonali Bank Limited as part of the program, with the topic "Foreign Exchange Operation of Sonali Bank PLC." I was allocated to Sonali Bank Limited's Cumilla Cantonment Branch for three months.

This internship will provide you with an understanding of Sonali Bank PLC operations as well as an overview of the banking industry in general. While working there, I had to choose a topic of study from which I could conduct extensive research and publish my findings in a paper. As a result, following work is highly valuable to me, and I am confident that it will aid in my future career advancement.

1.2 Background of the Study

From the prehistoric era to the present, the banking industry has changed. Up until now, it has developed gradually. This is the most organized state it has ever been. To ensure that money mobilization runs well, it is an essential part of a strong economic system. Actually, a nation's economic status is mostly determined by its mainstream. People consider it to be the lifeblood of an economy. Everybody benefits from it in some way, regardless of background.

Progress in a nation is now contingent upon having a robust financial system, especially in the era of globalization. Trade across borders has becoming ingrained in our daily lives. For example, jute from Bangladesh's periphery is used as shopping bags in distant European nations. Once more, Japan is the source of the machinery and fertilizer needed to produce jute and other agricultural products. Individuals who work abroad send money home to Bangladesh. In light of this, close involvement in foreign exchange has proven to be problematic. But neither the general public nor the people most likely to engage in foreign exchange have a solid grasp of the topic.

1.3 Research GAP

Although Bangladesh’s foreign exchange market has experienced significant growth—reaching over USD 100 billion in annual transaction volume as per Bangladesh Bank reports—there is a notable lack of quantitative analysis on the performance of Sonali Bank PLC within this sector. While private commercial banks have shown consistent year-on-year growth in foreign exchange earnings (e.g., 15–20% increases from 2020–2023), Sonali Bank's performance data remains underreported and underanalyzed in scholarly literature. No comprehensive study has statistically compared the volume of foreign exchange transactions, remittance handling efficiency, LC (Letter of Credit) processing time, or revenue contribution from forex operations between Sonali Bank and peer institutions. Additionally, customer satisfaction and compliance costs associated with foreign exchange operations at Sonali Bank are rarely measured through empirical data. This gap highlights the urgent need for a data-driven, statistical study focusing on the operational performance and strategic challenges faced by Sonali Bank PLC in the foreign exchange domain.

1.4 Problem Statement

Actually, I'm going to research the foreign exchange procedures of Sonali Bank PLC. Banks' principal functions are to offer credit to borrowers and to collect deposits. Customer feedback Banks are the most important aspect in a country's development and provide a large number of job opportunities.

Sonali Bank PLC is a renowned bank that provides this service. It also helps a country's economic development by encouraging saving and credit. It redirects and distributes money throughout the country in order to boost the economy and increase national wealth. The researcher 2 desires to evaluate the performance of Sonali Bank PLC. Is Sonali Bank PLC functioning well or poorly? This is the main point of the study.

1.5 Significance of the Study

Foreign exchange activities play a crucial role in the economic development of a country. A bank's involvement in foreign exchange operations contributes to the stability and growth of the national economy. Foreign exchange earnings and expenditures affect the balance of payments, which is a key indicator of a country's economic health. A well-managed foreign exchange operation can contribute positively to the balance of payments.

Sonali Bank's foreign exchange operations are likely to be closely tied to facilitating international trade. Understanding these operations is crucial for supporting import and export activities, which are vital components of a country's trade balance. Foreign exchange markets are subject to fluctuations and uncertainties. Studying the foreign exchange operations of Sonali Bank helps in understanding how the bank manages currency risks associated with international transactions. Effective risk management in foreign exchange operations is essential for minimizing exposure to currency volatility and ensuring the financial stability of the bank.

For many banks, foreign exchange operations can be a significant source of revenue. Understanding the strategies employed by Sonali Bank in the foreign exchange market provides insights into how it generates profits and sustains its financial health. Foreign exchange operations are subject to various regulatory frameworks and compliance standards. Studying these operations helps in understanding how Sonali Bank complies with local and international regulations, contributing to the overall stability of the financial system.

In summary, studying the foreign exchange operations of Sonali Bank PLC is significant for a comprehensive understanding of its role in the national and global economy, its risk management practices, and its contribution to economic development. This knowledge is valuable for policymakers, regulators, investors, and the general public.

1.6 Scope of the Study

The annual reports, the website, and the information gathered from executive interviews at Sonali Bank Limited formed the basis of the report's scope. Only publicly available and accessible data served as the basis for the analysis. Based on information found on the websites of other banks and Bangladesh Bank, a comparison of the remittance earnings made by both NCBs and PCBs is conducted. A SWOT analysis of the business has been carried out. Additionally, several suggestions have been developed to enhance the company's existing circumstances. This report's analysis is limited to Sonali Bank Limited's foreign exchange operations. It should only include the bank's foreign exchange and import-export procedures.

1.7 Research Question

- ✓ How foreign exchange operation impact on company's bottom line?
- ✓ Can foreign exchange operation boost the contribution of GDP?
- ✓ How foreign remittance practice in Sonali Bank Plc?

1.8 Objectives of the Study

The objective of report is to make a clear understanding about Foreign Exchange Operation, I have to gather & study a number of resource materials together based on importance and relevance to my case topic.

- ➢ To analyze Foreign Exchange Operation of banking sector in Bangladesh with major focuses on Sonali Bank Plc.
- ➢ Gaining a basic understanding of the export and import business's operational procedures.
- ➢ To give a transparent idea about the implementation of foreign exchange operations.
- ➢ Impact of Foreign Exchange operation on bank profitability.
- ➢ To draw a conclusion and give recommendation on the basis of findings.

1.9 Methodology of the study

The complete work is designed by the research approach. A suitable approach needs to be created in order to do the task effectively. The main goals of this study were to learn about the protocols and requirements of the foreign exchange industry and to ascertain the bank's role in this process. The study's foundation included personal observations as well as papers and documentation evaluating import and export trade. The study was carried out on Sonali Bank Limited's import and export commerce in order to achieve the main goal.

Sources of data

For preparing the report, secondary sources are used. Secondary sources are:

- Annual report of Sonali Bank PLC.
- Official information of Sonali Bank PLC.
- Various books, articles, compilation act. Regarding foreign exchange.

Statistical tool for analysis

For statistical analysis I used SPSS for regression analysis.

Here,

Dependent Variable are

- Return on Asset (ROA)

Independent Variable are

- Export
- Import
- Foreign Remittance
- GDP
- Inflation

1.10 Limitation of the study

Studying problems is generic. That is a flaw in report writing, and this instance is not unique. The study's primary area of interest was foreign exchange operations. The study carried on has the following limitations-

- The time is limited to understand all activities.
- Sonali Bank is hesitant to share information because of certain regulatory requirements and commercial secrets.
- Due to lack of my understanding the issue completely I tried to gather every detail of the foreign exchange process.
- Due to lack of my knowledge on this matter my explanation can differ little what it should meant to be. As I have to prepare the report while working, I fail to allot enough time on the matter.

Chapter Two

2. Literature Review

2. Literature Review

Foreign exchange is the process of exchanging one currency for another. The foreign exchange market, commonly referred to as the foreign exchange market, is where foreign exchange transactions can occur. Trillions of dollars are exchanged daily on the foreign exchange market, which is the most liquid and largest market in the world. The Foreign Exchange Market lacks a single, central location; instead, it is an electronic network of banks, brokers, institutions, and individual traders (who usually trade through brokers or banks). To obtain a deeper understanding, many had worked closely with Sonali Bank Limited and Foreign Exchange. I really benefited from some of their work. Among them are:

Asif Ahmed Tonmoy (2020) from BRAC Business School, BRAC University, conducted a study on *"Foreign Exchange and impact of Bangladesh Development Bank Ltd."* In which he tried to show the SWOT analysis, foreign exchange trend, and deviation of Sonali Bank's Uttora Branch's categorized foreign exchange.

Tanzina Tisha (2021) from BRAC University, carried out a study on "General Banking Activities - *Internship Report on Sonali Bank Limited in Gulshan Branch"* whereby she attempted to provide a brief explanation of the overall operations as well as various SBL tasks, such as foreign exchange.

Tithi Rahman (2021) from Sher-e-Bangla Agricultural University, did a study titled "A Short Analysis of Foreign Exchange Market in Bangladesh: A Study on Sonali Bank; Krishi Bazar Branch, Dhaka" that mostly relied on informal questionnaires and observation to focus on the foreign exchange theoretical aspects of the market.

Sultana Khatun (2022) student of Stamford University, carried out a study on *"Present Scenario of Foreign Exchange in Bangladesh : Practice in Sonali Bank LTD; Dhanmondi Branch"*. The purpose of this study is to gain a thorough understanding of the foreign exchange system and procedures used by Sonali Bank Ltd. as well as information on the efficiency of import, export, and remittance, with a focus on opening letters of credit.

Tipu Sultan (2023) student of North South University, carried out a study on *"A study of Foreign Exchange System of Mercantile Bank Limited, Kawran Bazar Branch"*. This study seeks to deep knowledge of Exports, Imports procedure and Remittance collection system of Mercantile Bank Limited.

In addition to the study report above, I have gathered extra data from the website of Sonali Bank Ltd. I studied Sonali Bank's annual report from the previous years while I'm an intern there. I learn a lot from them that has never been published. I have only been employed for three months, yet throughout that time I have gained a great deal of experiences.

The Foreign Exchange Market lacks a single, central location; instead, it is an electronic network of banks, brokers, institutions, and individual traders (who usually trade through brokers or banks). To obtain a deeper understanding, many had worked closely with Sonali Bank Limited and Foreign Exchange.

Chapter Three

Organizational Profile

3.1 Background of Sonali Bank Ltd.

The Public Bank of Pakistan was the biggest business bank the then East Pakistan. After the freedom battle of Bangladesh in 1971, this bank alongside two more modest banks, Premier Bank and Bank of Bahawalpur was converted into Sonali Bank limited. The bank was nationalized under Government Act P.O.26, 1972.

This bank was changed into a Public limited company with 100 % responsibility for Government and began working as Sonali Bank limited on 15 November 2007.

3.2 Nature of business

Offering its clients various commercial banking services is one of the bank's main business endeavors. The following categories can be used to group the activities:

- Business Banking.
- Funding for the Project.
- Credit to the Consumer.
- Global Trade.
- Syndication of loans.
- Dealing with Foreign Exchange.
- Microcredit and rural areas.
- Financial commitment.
- Transfer of funds.

3.3 Objective of Foreign Exchange

Techniques for remote commerce outside of exchange that could be internal Outworks remote exchange as well. Remote settlement will also be another. The economy of Bangladesh may currently be based mostly on fare More settlement is what. Sending out settlement also suggests that distant cash might pushing for Bangladesh, which must take action in order to establish a foundation What's more economic is Bangladesh's allegation. Sonali Bank taking the lead in achieving those goals for those who are residing overseas. Will this approach be successful? In the US, Sonali Bank Ltd. established a distinct bank. Additionally, the UK independently, which can be Sonali Bank (UK) set Additionally, Sonlai returns to a certain organization, Inc.

Additionally, this bank must establish agreements with various return houses, banks for various and exclusive universes, such as the Working East What's more malaysia. Electronic installment instructions Toward emit PIN through the sum limbs. Additionally, foreign exchange is primarily associated with sending, which involves bringing distant currency into our nation. Additionally, import techniques other than specific cash setting off wild from our nation In any given instance, Camwood derives its many from the 1209 limbs that are distributed throughout Bangladesh.

3.4 Role of Sonali bank Limited in the National Economy

The banking sector and the economy are interdependent and go hand in hand. An essential part of the nation's economic growth has been played by Sonali Bank Limited. On December 31, 2008, the Bank employed a total of 26,085 persons. In addition, Sonali Bank Limited has created jobs in the industries and projects built under finance for hundreds of people. Since its establishment in 1997, the Bank has provided funding for national trade and commerce. We have dealt with many exports and imports from various nations. The money that was raised by our bank through its branch offices contributed to the nation's capital formation. As of June 30, 2010, we had lent the borrower Tk. 231732.18 million. It's made a contribution.

Chapter Four

Theoretical Background

4.0 International Trade and Foreign Exchange

All private and governmental transactions involving two or more nations are considered international business. While government corporations do it for other reasons, private companies do it to make money. These days, it's a crucial issue that affects a sizable and expanding percentage of global business. International import and export commerce has an impact on all businesses, regardless of size. Managers need to be aware of these import and export modes in order to use it efficiently. However, the question of what motivates someone to take on such endeavors emerges.

4.1 Exchange Rate Management System

The idea of an exchange rate system is to fix a currency's price in terms of another. The degree of flexibility in exchange rates that should be allowed is always one of the top priorities for policy makers. One way to look at the exchange rate is as the outcome of a specific time period. Under some arrangements of the monetary system, there can also be fixed. In actuality, there are numerous debates and exchange rate schemes in use in global economics. Three broad types of exchange rate systems can be distinguished:

Fixed exchange rate system

A fixed exchange rate system is one that only allows for extremely minor—if any—differences from the publicly reported values. One argument in favor of fixed exchange rates is that they provide for the discipline in economic policy required to stop inflation from spiraling out of control. That is, in a system with a fixed exchange rate, there shouldn't be a propensity for inflation in any nation to be higher than it is globally.

Flexible exchange rate system

We define flexible exchange rates as those that are fully variable, meaning that changes in the exchange rate always clear the foreign exchange market. In a system with freely adjustable exchange rates, a country's balance of payments deficit or surplus is automatically corrected in the country's currency through depreciation or appreciation.

Hybrid exchange rate system

It relates to managed floating, crawling pegs, and adjustable pegs, which all mix different aspects of fixed and flexible currency rates.

Adjustable peg: when a country's balance of payments is out of balance, it forces them to make periodic adjustments based on values.

Crawling peg: it fluctuates according to values by tiny amounts at regular, predetermined intervals until the exchange rate reaches equilibrium.

Managed floating: its regime is generally defined by some meddling with the movement of the exchange rate. However, the monetary authorities have the option to intervene at their discretion.

4.2 Rules and procedures pertaining to foreign exchange business

Import Trade

When conducting international commerce or import-export, challenges may come up. Problems could occur since the people who buy and sell commodities are from various nations. Nevertheless, other currencies are used for the transactions. The international chamber of commerce has developed laws and regulations that must be adhered to globally in order to resolve any issues pertaining to international trade. UCPDC (Uniform Customs & Practice for Documentary Credit) is the name of these regulations. UCPDC states that in order to import goods from overseas, the importer must first open an L/C. The import procedure is now shown step by step from a useful perspective.

Import Process

- In the beginning, the buyer and seller in different countries discuss the buy and sell directly or through an agent or indenture.
- After deliberation, the exporter drafts a proforma invoice that includes quality, quantity, unit price, total value, and information about transshipment or not, and forwards it to the importer.
- After signing the invoice and indicating that they have read and agreed to the terms and conditions, the importer creates a legally binding contract. The importer then submits an application and invoice to the bank to open an L/C.
- Banks ensure that products imported have a harmonized system code. In addition to requiring the importer to fill out an LCAF form and provide H.S.C. matching, the bank also requests that the importer supply the following paperwork:

  i. A valid I.R.C. that CCI & E issued .

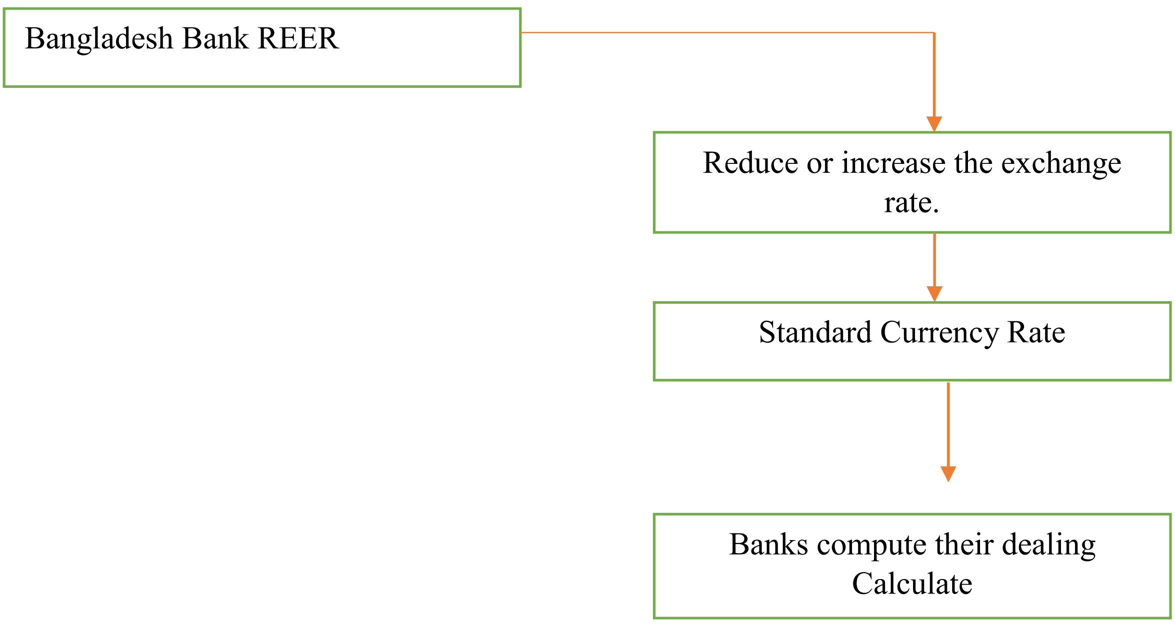
  ii. Proof of income tax paid.

4.3 Exchange Rate

An important consideration in international trade and payment is exchange rates. Given the current floating currency rate, Bangladesh offers two spot rates on average. There are two spot rates: purchasing and selling. Authorized dealers purchase dollars from the same at a reduced price and sell them to customers at a higher one. On the interbank market, a base rate is kept constant. When buying and selling dollars between banks, this base rate is applied.

A rate that is slightly less than the basic rate is utilized when purchasing from the consumer. Authorized dealers purchase goods from customers at reduced prices and then add a margin (comprising transportation costs, brokerage fees, and profit) to bring the total price up to the interbank base rate. The AD sells to the consumer at a price that is greater than the base rate. Included in this extra are brokerage fees, earnings, and shipment costs. mentioned that the amount of this additional fee varies based on the volume of transactions and the nature of the client connection.

A flow chart of how exchange rate is determined



Bangladesh Bank uses a pegging technique to exchange a basket of foreign currencies for the taka. The currencies of Bangladesh's principal trading partners are taken into account when determining the foreign exchange basket. The nominal effective exchange rate and the real effective exchange rate are used by Bangladesh Bank to determine the foreign exchange rate. The exchange rate is then adjusted as needed to produce a nominal exchange rate by devaluing or increasing it. In actuality, Bangladesh Bank has mandated that this rate be used. The commercial bank then executes the foreign exchange by adding or subtracting as needed.

4.4 Payment Method

Documentary credit is used to make the payment. The operation of a documentary L/C involves the following five key processes.

- ✓ Providing advice,
- ✓ Amending,
- ✓ Presenting, and
- ✓ Reaching a settlement

Issuing

The bank in the importer's nation often opens an L/C on the importer's behalf and in favor of the exporter upon the importer's request. The importer must provide the required documentation, which the bank deems satisfactory.

Advising

Through its foreign correspondent, or advising bank, which is often situated in the exporter's nation, the issuing bank performs the required actions to notify the exporter of the L/C.

Amendment of Credit

For a variety of valid and apparent reasons, parties to a letter of credit, in particular the seller and the buyer, may not always fully comply with the terms and conditions of the agreement. In this case, the credit should be changed by BB. If the credit is revocable, the issuing bank may change or terminate it at any time and without giving the beneficiary advance notice. However, an irreversible credit cannot be changed or canceled without the beneficiary, the originating bank, and any confirming banks' consent.

Presentation of Documents

Once the seller is happy with the terms and circumstances of the credit, they can send the necessary items to the purchasers. However, they must then show the negotiating banks the documentation proving the goods were supplied, either before the credit expires on its specified date or before. The negotiating bank verifies the documents against the credit after getting all of the paperwork. The bank will pay, accept, or negotiate with the issuing bank if the documents are determined to be in order. Additionally, the issuing bank verifies the documents to see if they meet the requirements, either

- ✓ Effects payment or
- ✓ Reimbursement in the pre-agreed manner

4.5 Export Trade

Our nation's import and export commerce is governed by the Imports and Exports Act, 19*50. Nothing may be imported or exported into or out of Bangladesh by anybody who has not received registration from the chief controller of imports and exports. Unless the government has granted an exemption. Anyone who violates any of the act's provisions or orders made under it faces a period of imprisonment that can last up to a year and a fine, or both.

Comparative Foreign Trade Position during 2017 and 2016 :-(Tk. in Crore)

SI NO	Particular	2021	2022	Change
1	Total Import	159644	134328	763
2	Total Export	28494	36881	(22.74)
3	Inward Remittance	92291	105921	(12.87)
4	Outward Remittance	37308	41733	(10.60)
Total		1317739	318864	313.26

4.6 Export Formalities

An exporter must comply with certain regulations both prior to and following the dispatch of products. The following is an explanation of these formalities or procedures:

Registration of Exporters

The Chief Controller of Imports and Exports (CCI & E) of the Ministry of Commerce exercises export trade control over exports from Bangladesh. If an exporter is not registered with CCI & E and does not possess a valid Export Registration Certificate (ERC), they are not permitted to export any goods that are licensed for export from Bangladesh. It is necessary to renew the ERC annually. On EXP forms and other documents related to exports, the4 ERC number must be included.

4.7 The process for acquiring an export registration certificate (ERC).

Willing exporters from Bangladesh must apply in the prescribed form to the controller, joint controller, deputy controller, assistant controller of imports and exports, Dhaka, Chittagong, Rajshahi, Khulna, Mymenshingh, Sylhet, Comilla, Barisal, Pabna, Bogra, Rangpur, Dinajpuir, or as applicable, in order to obtain an Export Registration Certificate.

- ✓ The proprietors' and directors' nationality and assets certificate.
- ✓ A copy of the business premises' rent receipt
- ✓ An income tax certificate
- ✓ A copy of a current trade license.
- ✓ Any additional certificates specified by the policy
- ✓ Affidavit from a first-class magistrate

Signing the Contract

The following are the things to consider while entering into a contract:

I. An explanation about the product
II. Product quantity
III. Product price
IV. Shipment
V. Insurance and markings

Receiving of the Letter of Credit

The primary elements that must be considered are as follows:

i. The contract's terms and the L/C's terms are in agreement.
ii. The L/C is irreversible and should ideally be restricted by the bank providing advice.
iii. The L/C provides enough time for shipment and a fair amount of time for discussions.

4.8 Export Financing

An exporter requires finance at two stages namely

- Pre shipment stage and
- Post shipment stage

As the name implies, pre-shipment credit is provided to support an exporter's operations before actual goods are shipped for export. The purpose of this type of financing is to cover working capital requirements, from the point of raw material procurement until the shipping of items for export to another nation. Pre shipment credit is granted for the following uses before the bank grants the exporter such credit, taking into account the exporter's creditworthiness, export performance, and all other information needed to sanction the credit in compliance with current laws and regulations.

i. Funds for local purchases and covering associated costs
ii. Sourcing and getting ready-to-export goods
iii. Packing and shipping goods meant for export
iv. Paying insurance premiums
v. Paying inspection fees

Export Cash Credit (hypothecation)

A credit is approved under this arrangement in order to prevent the hypothecation of completed goods or raw materials meant for export. First class exporter is permitted to use such a facility. Banks typically need the exporter to provide collateral security because they have no other security in this situation except from charge documents and the exporter's lien on the L/C contract. Although the bank receives a charge against the goods through the letter of hypothecation, neither ownership nor possession are transferred to it.

Export Cash Credit (pledge)

This type of loan is permitted in exchange for the pledge of raw materials or exportable commodities. In this instance, a letter of pledge and other pledge agreements are signed in exchange for the extension of credit facilities secured by the promise of goods to be kept in a godown under the bank's management. In exchange for the payment of bank debts, the exporter gives up physical ownership of the items that are effectively under the bank's control. Should the exporter fail to fulfill his obligation, the bank may sell the item that was pledged in order to recoup the advance.

Export Cash Credit against Trust Receipt

In this instance, the credit limit is authorized subject to the trust receipt. In this instance, in contrast to the commitment, the exporter retains custody of the exportable products. He must sign a stamped export trust receipt in the bank's name, stating that the products were bought with the bank's financial support and held in trust for the bank. This kind of credit is given when the exporter want to use it to process, package, and make the products exportable and when it appears that the exportable goods cannot be placed in the bank's safekeeping. Only first class parties are permitted to use this facility, and collateral security is typically obtained in these situations.

Back To Back Letter of Credit

In this arrangement, the bank finances export operations by opening a letter of credit on behalf of the exporter, who is not the real producer or maker of the exportable products but has received one from the foreign customer. The real manufacturer or supplier, whether they are located domestically or abroad, is the one who opens the letter of credit. It is referred to as "back to back credit" since the second letter of credit is established based upon and guaranteed by the first. A back-to-back credit is required since the initial (export) letter of credit's recipient might have to buy the items from the real producer, who might withhold the goods until payment is received.

i. The original beneficiary's name will be exchanged for that of the real provider.
ii. The credit amount will typically be less than that of the original letter of credit. The disparity is the amount of profit the exporter anticipates making from the transaction.

4.9 Post Shipment Credit

This category of credit pertains to credit facilities that commercial banks provide to exporters subsequent to the shipment of products, secured by export documentation. Such credit becomes necessary since the exporter cannot afford to pay local manufacturers and suppliers after a protracted period of time. Obtaining a report on the exporters' creditworthiness and the purchasers' financial stability is required before to granting such financing as well as any additional pertinent documentation related to export in compliance with the laws and regulations in effect. Our nation's banks provide exporters with better post-shipment credit by doing the following:

i. Negotiation of Documents under L/C

ii. Purchase of DP and AD Bills

Negotiation of Documents under L/C

According to this arrangement, the exporter sends the relevant paperwork to the negotiation bank for discussion after the items are sent. Strict adherence to the terms and conditions and within the time frame specified in the credit letter is required while negotiating the documents.

Purchase of DP and AD Bills

In this scenario, the banks buy or discount the documents against payment (DP) and acceptance (AD) bills at the rate set by the authorized dealers' exchange rate committee. While doing so, the banks should carefully examine each export document separately, and they should have precise instructions from the bill drawer regarding all significant matters pertaining to the bill negotiation.

4.10 Types of Foreign Remittance

Foreign remittances are of two types

- ✓ Foreign inward remittance
- ✓ Foreign outward remittance

4.11 Modes of Foreign Inwards Remittance

The most popular ways for sending money abroad are through TT, DD, MT, and TC. Additionally, remittances made for export, purchases of bills, purchases of drafts, purchases of TC, foreign currency notes and coins, checks made out to recipients in Bangladesh on foreign banks, etc., are included in the category of foreign inward remittances. The debit of local currency to a nonresident Taka account is an example of an inbound foreign exchange transfer.

TT

TT stands for payment instructions sent by cable or telex combined with a test number. When a foreign bank sends a transfer request (TT) on behalf of an individual in Bangladesh, it credits the amount received from the sender to its correspondent bank's Nostro account. The beneficiary shall receive payment of the TT proceeds in foreign currency or equivalent Bangladeshi taka from the paying bank in Bangladesh upon receipt of the TT. The TT payment will be made using the clean purchase rate.

Demand Draft

A DD is a formal document that contains a written order from the issuing bank to the drawee bank to pay the payee or at his direction a specific sum. To provide value to the beneficiary, there are two methods to manage DD/cheque:

1. Prior to the instrument's proceeds (foreign bank proceeds) being realized
2. Following the implementation of the instrument proceeds (collecting)

Money Transfer

A money transfer is a document sent to a paying bank by a remitting bank that instructs it to pay a specific amount to a specified recipient.

Travelers Cheque

It's a document that a bank or business issues and pays the buyer upon presentation after confirming the buyer's signature.

Purpose of Inward Remittance

Family support, commissions from indenting, hiring agents' commissions, export revenue realization, gifts, and donations, among other things.

4.12 Cancellation of Inward Remittance

The advertisement must notify the cancellation of the inward remittance on the TM form, just as outward remittances, in the event that an inward transfer that has already been reported to Bangladesh Bank needs to be canceled, either fully or partially, due to the beneficiary's unavailability. A letter containing the following information should be attached to the return:

i. The beneficiary's name and address;
ii. The amount and reason for the cancellation;
iii. The amount of the original purchase; and
iv. Reference to the return on which the inward remittance was reported.

4.13 Foreign Outward Remittance

Any money sent from Bangladesh to a foreign nation, including foreign currency sent outside, may be classified as an external foreign remittance. The authorized dealers approve the majority of outward remittances once the taka was declared convertible for current account payments in March 1994. Only for specific cares is prior approval from Bangladesh Bank necessary.

4.14 Common Modes of Foreign Outward Remittance

The common forms of outward foreign remittance include TT, DD, MT, and TC, just like inward foreign remittance. TT, DD, MT, and TC may be issued by authorized dealers in Bangladesh who are drawn among their correspondents. Selling foreign currency notes may have an impact on travelers' external remittances. Furthermore, an outbound foreign remittance is defined as local cash credited to a convertible taka account or non-resident taka account of a foreign bank. Private remittances for various commodities and remittances related to imports are also included in the category of outward foreign remittances.

4.15 Purpose of Outward Remittance

The costs of import bills, transportation, medical care, membership dues, application fees, examination fees, registration fees, admission fees, tuition fees, haze, dividends and profits from foreign investments, insurance claims, etc.

4.16 Cancellation of Outward Remittance

If a remittance has already been reported to Bangladesh Bank, it may be canceled, and the applicant may receive payment by cancellation after adhering to all current procedures. Bangladesh Bank must be notified of the cancellation of the outward remittance as well as any relevant information.

Chapter Five

Trend & Statistical Analysis

The impact of Foreign Exchange Operation on Bank Profitability

Hypothesis of the Study

H0=There is no significant impact of Foreign Exchange Operation on Bank's Profitability.

H1=There is significant impact of Foreign Exchange Operation on Bank's Profitability.

The main objective of this research is to investigate the impact on foreign exchange operation in bank's profitability. To find this relationship between two elements, I select one depended variable and five independent variables.

Depended variable: Return on equity (ROE)

Independent variables: Export, Import, Remittance, GDP, Inflation.

So, the model of this equation will be: ROE= a + β **1**(EX)+ β **2** (IM)+ β **3** (Re)+ β 4(GDP)+ β 5(Inf)……..(1)

Data Input

Year	ROE	Export	Import	Remittance	GDP	Inflation
2022	4.7	13.72	24.49	4.67	6.03	7.7
2021	4.26	13.69	22.51	4.79	6.9	5.5
2020	4.21	10.5	19.46	3.40	7.8	5.69
2019	3.29	12.46	23.74	4.90	7.9	5.59
2018	3.32	11.46	22.57	4.48	7.3	5.54
2017	3.58	9.67	21.89	4.57	7.04	5.56
2016	2.89	10.78	23.78	5.17	6.09	4.98
2015	3.67	10.45	23.13	5.89	6.05	5.79

Descriptive Statistics

	Mean	Std. Deviation	N
ROE	.9560	.62420	8
Export	12.3660	1.40516	8
Import	22.5540	1.91897	8
Remittance	4.4480	.60619	8
GDP	7.1860	.76124	8
Inflation	6.0040	.95075	8

From the above table, we can see the minimum, maximum, mean, standard deviation of some indicator of Sonali Bank Limited. On an average, the ROE is .95% and its standard deviation is .302069. Moreover, the lowest standard deviation of ROE indicates that there is less risk.

Correlations

		ROE	Export	Import	Remittance	GDP
Pearson Correlation	ROE	1.000	.413	-.033	-.210	-.705
	Export	.413	1.000	.782	.799	-.731
	Import	-.033	.782	1.000	.901	-.561
	Remittance	-.210	.799	.901	1.000	-.364
	GDP	-.705	-.731	-.561	-.364	1.000
	Inflation	.674	.486	.518	.144	-.814
Sig. (1-tailed)	ROE	.	.245	.479	.367	.092
	Export	.245	.	.059	.052	.080
	Import	.479	.059	.	.018	.163
	Remittance	.367	.052	.018	.	.274
	GDP	.092	.080	.163	.274	.
	Inflation	.106	.203	.186	.409	.047
N	ROE	5	5	5	5	5
	Export	5	5	5	5	5
	Import	5	5	5	5	5
	Remittance	5	5	5	5	5
	GDP	5	5	5	5	5
	Inflation	5	5	5	5	5

Correlations

		Inflation
Pearson Correlation	ROE	.674
	Export	.486
	Import	.518
	Remittance	.144
	GDP	-.814
	Inflation	1.000
Sig. (1-tailed)	ROE	.106
	Export	.203
	Import	.186
	Remittance	.409
	GDP	.047
	Inflation	.
N	ROE	5
	Export	5
	Import	5
	Remittance	5
	GDP	5
	Inflation	5

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics		
					R Square Change	F Change	df1
1	.873 [a]	.753	.874	1.4517	.753	.436	4

Model Summary[b]

Model	Change Statistics		Durbin Watson
	df2	Sig. F Change	
1	4	.436	2.538

a. Predictors: (Constant), Inflation, Remittance, GDP, Export

b. Dependent Variable: ROE

Interpretation:

Coefficient if correlation (R): In this table the value of R= .753, expresses that there is a high degree of association between the dependent variable ROE and the independent variables Ex, IM, RM, GDP. If the independent variables vary at that point, this will result in the dependent variable changes accordingly. So, it can be said that, CSR has impact on banks profitability.

R Square: The term R Square is the multiple co-efficient of determination interpreted as the proportion of variability in the dependent variable that can be explained by the estimated multiple regression equation. when multiplied by the 100, it can be interpreted as the percentage of the variability in Gross Premium that can be explained by the estimated regression equation. Here R Square= 0.753(75.3 % expressed in percentage) indicates 75.3% of the variability in obtained ROE is explained by the independent variables Ex, IM, RM, GDP.

Adjusted R square: From the adjusted R-Square it is evident that after adjusting the model for inefficiencies the independent variables can explain profitability of Sonali Bank Limited.

Standard Error of Estimate: Standard Error of Estimate shows how much error or variability stands between the estimated result and actual forecasted result. Here the value is 1.4517 that shows the amount of variability of our estimated result and the actual result of the observation.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations
		B	Std. Error	Beta			Zero-order
1	(Constant)	2.832	6.530		-.763	. 437	
	Export	.600	7.305	1.351	.157	.044	.413
	Remittance	-1.386	10.320	-1.346	.552	.349	-.210
	GDP	-.087	5.543	-.106	.986	.738	-.705
	Inflation	.082	6.0975	.125	.374	.058	.674

Coefficients[a]

Model		Correlations		Collinearity Statistics	
		Partial	Part	Tolerance	VIF
1	(Constant)				
	Export	1.000	.502	.138	7.257
	Remittance	-1.000	-.680	.255	3.916
	GDP	-1.000	-.044	.171	5.840
	Inflation	1.000	.069	.308	3.245

a. Dependent Variable: ROE

Interpretation: From the above table we got the parameters of the regression line. Here, the constant ‘a’ is 2.832 and the slopes b1, b2 , b3and b4 are .600, -1.386 and -.087 respectively. From these data the regression equation can be constructed as:

ROE= 2.832+ (.600 * Ex) + (-1.386* RE) + (-.087*GDP)+(.082*In)

The equation implies that a unit change in the independent variable Ex causes the dependent variable ROE to change by an amount of .600 RE and GDP are constant. As b1 is negative, this movement of dependent variable ROE with the independent variable RE will be in the negative direction. That is when the amount of Ex increase, ROE will decrease and vice versa. The equation also implies that a unit change in independent variable RE causes the dependent variable ROE to change by an amount of -1.386 when GDP and IN are constant. As b2 is positive this movement of the independent variable ROE with the independent variable GDP will be in the same direction. That is when the amount of GDP will increase, ROE will increase and vice versa.

In the equation we get the other coefficient of regression as 1.000. This indicates that when EX and IM are constant, ROE will change by 22.999 with a unit change in IM the movement of these two variables will be in the positive direction as the coefficient is positive.

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	34.477	4	11.492	5.686	.297[b]
	Residual	2.021	1	2.021		
	Total	36.498	5			
a. Dependent Variable: ROE						
b. Predictors: (Constant),EX, IN,RE,GDP						

Interpretation: The F-test is used to determine whether a significant relationship exists between dependent variable named ROE and the set of all independent variables such as; F-test is referred to the test of overall significance. In this ANOVA model, the hypothesis for the EX, IM,GDP and RM F-test involves the parameters of the regression models:

H0 (Null Hypothesis): $\beta 1 = 0$

H1(Alternative Hypothesis): $\beta 1 \neq 0$

If H0 is rejected, I have enough evidence to deduce that two of parameters are not equal to zero and that overall relationship between ROE, EX, IM,GDP and RM are significant evidence to deduce that a significant relationship exists between dependent and independent variables.

The summary of F-test is given below:

F= MSR / MSE = 11.492/2.021= 5.686

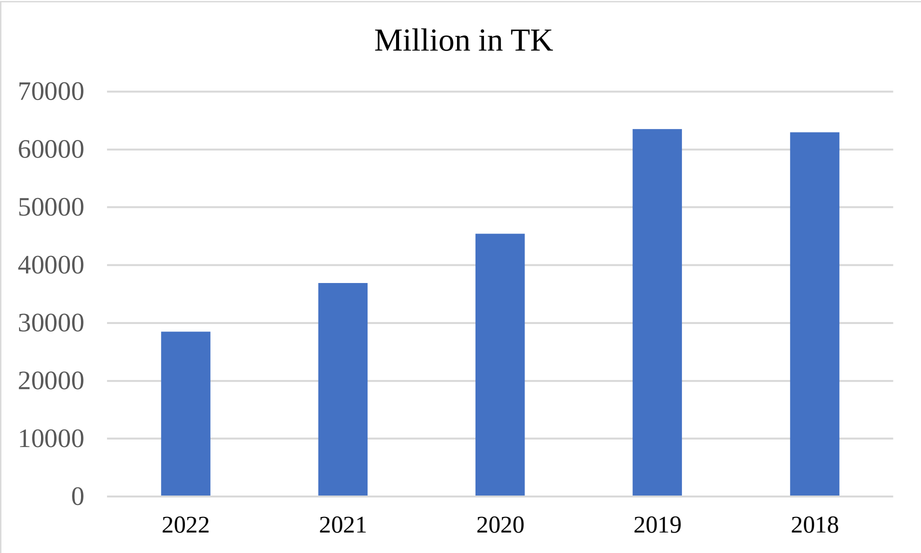
Significance of aptitude test: At a significance level of 0.05 any independent variable having a significant level around 0.05 will regard as significant. In the aptitude test significant level of

0.297 is significant. Here, we reject null hypothesis. Thus, there is a relationship between ROE and the Foreign Exchange Operation.

There is significant impact of Foreign Exchange Operation on Sonali bank's profitability.

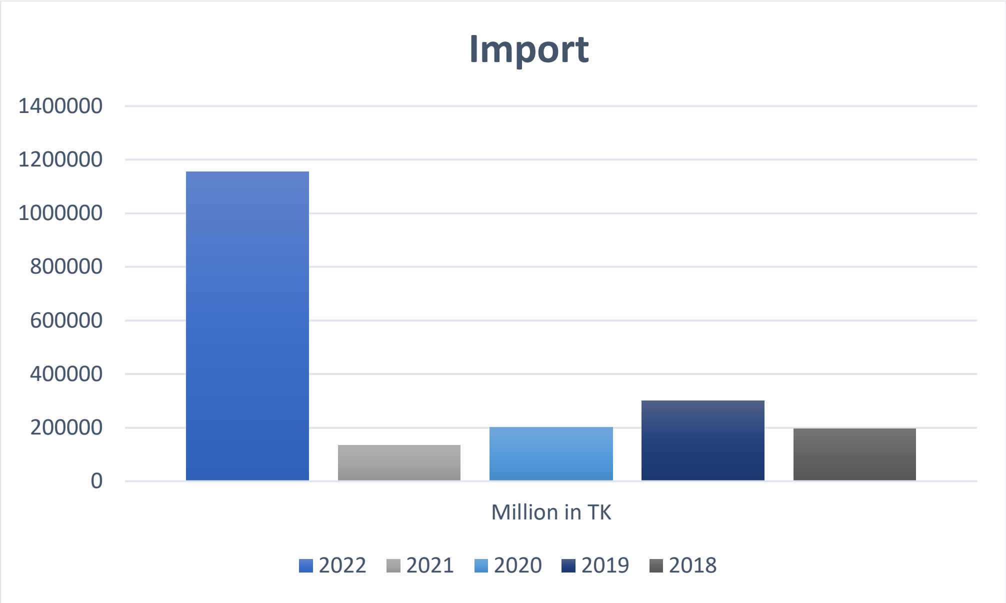
Performance Analysis of Foreign Exchange Operation of Sonali Bank PLC.

Export Business (2018-22)



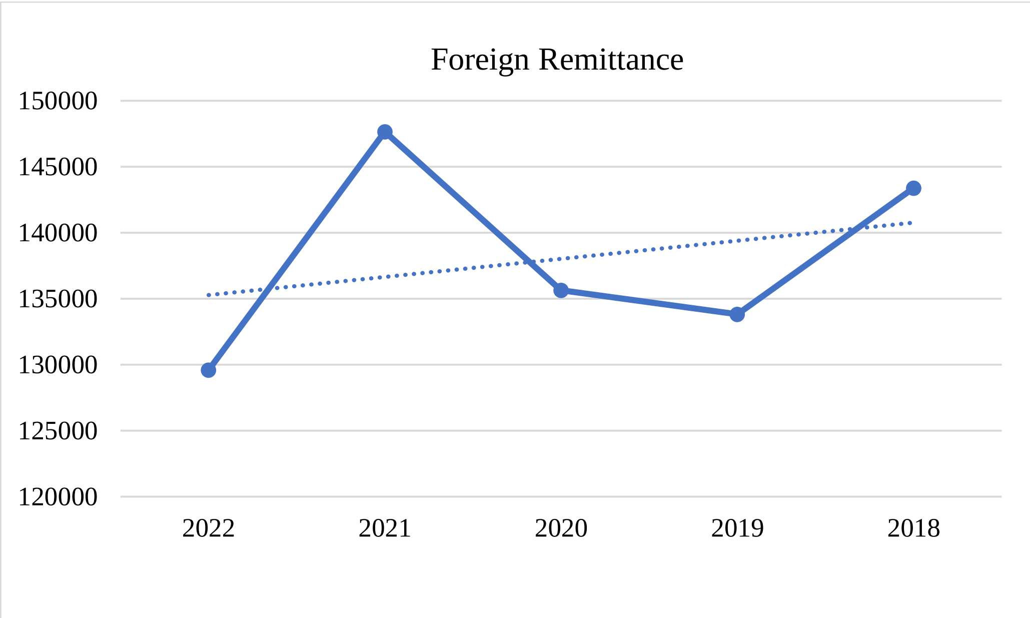
After seeing the data it seems that Sonali Bank PLC has done best in the year 2018 and 2019 and it shows downward trend of the following years as continued. In the year 2018 and 2019 the export business is at the top which is 62967 and 63525 consecutively and in the following years 2020, 2021 and 2022 it shows the export business of Sonali Bank Ltd is decreased significantly which is 45432,36882 and 28494 due to Covid-19 & Political Chaos.

Import Business (2018-22)



The following chart shows the import business of Sonali Bank PLC is growing significantly which come to a boost in the year 2022 in the contrary of year 2021. In the year 2021 import business of Sonali bank is rather low in consideration with other year which is 195892. In 2022 import is five times more than 2018 and three times more than that of 2019. But as the year pass by the import is increasing rapidly.

Foreign Remittance of SIBL (2018-22)



The Char shows there are little difference in foreign remittance in and out flow together. All the five years the flow is nearly same. In 2022 and 2021 the foreign remittance is highest which is 143386 and 147655. Lowest is 129601 which is in 2019.

Chapter: SIX

Finding

Conclusion

Recommendation

Reference

6.1 Findings

The expansion and economic development of Bangladesh are greatly aided by Sonali Bank. In this study, SBL's "Foreign Exchange Operations" are the primary emphasis. I have found a few issues that need to be addressed after reviewing SBL's financial and general performance. These issues are listed below:

- The Sonali Bank PLC. has widespread operation networks through its branches that exist even in rural areas. The banks have a huge scope to understand what society wants. The banking culture and environment is also favorable.
- Export and inflation are positively signed in both model indicating that it positively influences profitability.
- The P value of both models is less than 5% that means variable are jointly Significant. So, we can reject null hypotheses.
- Sonali Bank Limited provides assistance in relation with foreign exchange to the small scale of industries entrepreneur.
- In 2018, the export Business of Sonali bank was Tk.62967.It increased in 2019 which was Tk.63525. But gradually it decreased significantly in 2022 it is the lowest, which is Tk.28494.
- In 2018, import Business of Sonali bank was Tk.195892. According to the chart it shows that the import business of Sonali Bank PLC. is growing significantly which come to a boost in the year 2022 (Tk.1155301) on the contrary of the previous years.
- According to the chart of Foreign Remittance of the bank it shows that in 2021 and 2022 the foreign remittance is the highest which was Tk.143386 and Tk.147655. On the other hand, the Lowest is Tk.129601 which is in 2019.
- Sonali Bank Limited's foreign exchange operations lack an efficient database system, which makes it difficult for importers and exporters to conduct business as usual.
- Letter of Credit (L/C) opening system for the importer is not so much easier. L/C opening system is time consuming & costly.
- Documentation & filing process of foreign exchange operation is not so easy. It wastes valuable time and it is not cost effective.
- Sonali Bank Limited provides assistance in relation with foreign exchange to the small scale industries entrepreneur.

6.2 Recommendation

- The Bank ought to create the efficient database required for examining foreign exchange transactions.
- The Bank should expand its overseas remittance and import business in addition to maintaining and enhancing its export business.
- The importer's process for opening a Letter of Credit (L/C) ought to be simpler.
- For customer’s benefits, Sonali Bank should provide more personnel to deliver faster services to the customers.
- It is necessary to guarantee a proper communication system and upkeep of documents and equipment, including phones, computers, fax machines, and photocopiers.
- To ensure error free faster services, the bank should be fully computerized.
- Research & Development activities should be taken into consideration.
- Effective strategies must be commenced against defaulters.
- Office should be fully decorated to attract clients to take its services
- There will be more hiring of staff. Training is essential for providing improved services, and employees must be positioned based on their skill level and educational background.
- The Bank should absolutely maintain on its own rules and procedures.
- The Bank should initiate reward system for good borrowers as well as punishment for bad borrowers.
- The Bank should apply modernized Marketing Information System.
- The Bank ought to take decisions free from any political influence.

6.3 Conclusion

Sonali Bank Ltd. is a state-owned bank and is required to take many actions for the benefit of both the nation and its citizens. It must therefore take action in order to satisfy both the government's wish and the general interest of the populace. In order to, give its valued customers the best services possible, it will enhance more public services and increase the number of its workforce. Modernization efforts like computerization and the use of sophisticated technologies like bar code and MICR scanners, data collection, market analysis, and quick service are all vital. You can utilize the suggested suggestions to accomplish these.

Though it is simple to propose ideas, it is difficult to put them into practice since systems take years to break. Despite its worth, though. This proposal has a significant impact on the banking industry as well as other economic sectors, particularly those that interact with foreign exchange stakeholders. This bank needs to operate more disciplinedly and improve all aspects of its appearance. Since the expectations of the state-owned bank are high, a competent team for export, import, and remittance can be developed and can carry out their duties effectively.

I have attempted to showcase Sonali Bank's foreign exchange business in this essay. Its innovative position in managing international trade and foreign exchange transactions prior to the nation's independence is still under jeopardy since certain private banks have emerged as competitors. It used to handle the highest volume of export-import business, including home-bound remittances, thanks to its extensive domestic branch network and numerous international correspondent banks. However, with the entry of a competition into the market, things have somewhat changed. However, the Hall Mark incident has a significant effect on Sonali Bank Ltd.'s entire foreign currency business.

Overall, we can state that Bangladesh's new era has begun, and since FDI—foreign n direct investment—has increased significantly, the country's business prospects have expanded greatly. Large corporations like Yamaha, Honda, Mitsubishi, and other well-known businesses are now planning to invest in Bangladesh. Sonali Bank Ltd. must do business to that standard in order to guarantee international standards. Thus, a successful and efficient foreign exchange policy supports both the national economy's advancement and the Bank's ongoing economic expansion.

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