

AN INTERNSHIP REPORT  
ON  
AN STUDY ON FOREIGN EXCHANGE TRADE  
OF AGRANI BANK LIMITED:  
SHEWRAPARA BRANCH



Submitted by :  
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Submitted to :  
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# Approval Letter

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This is to certify that Abhi Chakma, Student of Master of Business Administration (MBA) under Faculty of Agribusiness Management, Sher-e-Bangla Agricultural University, has successfully completed his assigned Internship Report on “An Study on Foreign Exchange Trade of Agrani Bank Limited: Shewrapara Branch”

He has placed in the Agrani Bank Limited in Bangladesh which is one of the glorious banks both at home and abroad. Agrani Bank Limited is also giving the first service to foreign exchange banking service in Bangladesh and the extraordinary customer service to all the clients. The MBA Internship Report, he has submitted on this topic, is up to the mark in the terms of the quality of the organization.

I wish his every success in life.

**Supervisor**

Dr. Rokeya Begum

Professor

Department of Agricultural Economics

Sher-e-Bangla Agricultural University

Dhaka-1207

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# Letter of Transmittal

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**22/05/2017**

To

Dr. Rokeya Begum

Professor

Department of Agricultural Economics

Sher-e-Bangla Agricultural University, Bangladesh.

Sub: Submission of internship report on “An study on Foreign Exchange Trade of Agrani Bank Limited: shewrapara branch”.

Dear sir/madam,

With due respect I am a student of MBA(Agribusiness) program of Sher-e-Bangla Agricultural University want to submit here the internship report on “An Study on Foreign Exchange Trade of Agrani Bank Limited: Shewrapara Branch” and for your kind evaluation. This topic is very much significant issue in the present competitive environment. I tried my best to encompass all the issues covering the topic.

I would like to give you thanks for allowing us to do such a lot interesting and fruitful work which will help me a lot to study of report. I shall be very happy to provide my assistance for any clarification of this report.

Sincerely yours,

---

Abhi Chakma  
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## **SUPERVISOR'S CERTIFICATE**

This is to certify that the internship report entitled “Study on Foreign Exchange Trade of Agrani Bank Limited” submitted to the Faculty of Agribusiness Management, Sher-e-Bangla Agricultural University, Dhaka, in partial fulfillment of the requirements for the degree of MASTER OF BUSINESS ADMINISTRATION (MBA) in AGRIBUSINESS, embodies the results of a piece of bona fide internship carried out by Abhi Chakma Reg.No:10-03894 under my supervision and guidance. No part of this report has been submitted for any other degree or diploma.

I further certify that such help or source of information as has been availed of during the course of this investigation has duly been acknowledged.



Dated: ---/---/---

Dhaka, Bangladesh

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**(Professor Dr. Rokeya Begum)**  
**Supervisor**  
Department of Agricultural Economics  
Faculty of Agribusiness Management  
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## Declaration

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I , **Abhi Chakma**, the student of MBA(Agribusiness) batch 04<sup>th</sup> bearing **ID:10-03894** from Sher-e-bangla Agricultural university, Dhaka, Bangladesh, would like to declare here that an Internship report on “**Study on Foreign Exchange Trade of Agrani Bank Limited**”, is an authentic work prepared under the supervision of Dr. Rokeya Begum . I am also solemnly declaring that I have not submitted this report for any other degree before.

---

Abhi Chakma  
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**(ACRONYMS)**

ABL	Agrani Bank Limited
AD	Authorized Dealer
BB	Bangladesh Bank
B/L	Bill of Lading
BDT	Bangladesh Taka
CC	Cash Credit
CD	Current Deposit
CIB	Credit Information Bureau
DD	Demand Draft
DP	Depository Participants
EPB	Export Promotion Bureau
ERC	Export Registration Certificate
EXP	Export Form
FC	Foreign Currency
FDBC	Foreign Documentary Bill Collection
FDBP	Foreign Documentary Bill Purchase
FDD	Foreign demand draft
FDR	Fixed Deposit Receipt
FER	Foreign Exchange Regulation
FT	Foreign Transfer
FY	Fiscal Year
GDP	Growth Domestic Product
HRPDOD	Human Resource Planning Deployment and Operations division
IBC	Inward Bills for Collection
L/C	Letter of Credit
LIM	Loan Against Imported Merchandise
IMP	Import Form
IRC	Import Registration Certificate
LTR	Loan Against Trust Receipt
MT	Mail Transfer
OD	Order Demand
PAD	Payment Against Document
PSI	Pre Shipment Inspection
SWIFT	Society for Worldwide Interbank Financial Telecommunication
TC	Travelers Cheque
TIN	Tax Identification Number
TR	Truck Receipt

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# Acknowledgement

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A lot of concentration, effort, responsibility and study have been involved in preparing this paper into reality. In preparing a report one needs a number assistance and guidance from reliable sources. This report also stands on the basis of such efforts. I have pleasure to express my gratitude to the internship and placement committee for arranging such a program from which I have carried a lot of practical experience. At the very outset, I would like to express my profound respect to my honorable teacher, Professor Dr. Rokeya Begum who is my Supervisor of Sher-e-Bangla Agricultural University, Bangladesh, for giving me valuable time and all necessary guideline. His continuous supervision has inspired me to make a more feasible report based on in depth analysis.

In preparing the report, I received active co-operations from Mr Nirob Khanti Das, Assistant General Manager (AGM), Mohiuddin Khan officer, Md. Jashimuddin Officer and others employees of Shewrapara Branch, ABL. I sincerely express my heart-felt gratitude to them for his Co-operation, which helped me to conduct and complete this report. I extended thanks to Md. Zahidul Islam, Principal Officer, Lalbagh Branch, ABL. They have provided some important books on banking and some books on marketing and finance sharing, consent and given some advice of making a research report.

However this report suffers from many shortcomings. Moreover, I have exerted my best effort in preparing this report. I seek excuse for the errors that might have occurred in spite of my best efforts.

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## Abstract

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Agrani Bank Limited, a leading commercial bank with 931 outlets strategically located in almost all the commercial areas throughout Bangladesh, overseas Exchange Houses and hundreds of overseas Correspondents, came into being as a Public Limited Company on May 17, 2007 with a view to take over the business, assets, liabilities, rights and obligations of the Agrani Bank which emerged as a nationalized commercial bank in 1972 immediately after the emergence of Bangladesh as an independent state. Agrani Bank Limited started functioning as a going concern basis through a Vendors Agreement signed between the ministry of finance, Government of the People's Republic of Bangladesh on behalf of the former Agrani Bank and the Board of Directors of Agrani Bank Limited on November 15, 2007 with retrospective effect from 01 July, 2007. For performing the international trade related business skillfully, the bank has a large network of 328 foreign correspondents in the several countries of the world. Besides this, the bank is maintaining 41 nostro accounts with the world reputed banks.

The total export business handled by the bank amounted to tk. 7543 crore as of December 31, 2015 which is 2.97% of national figure. From 2012 to 2015, export is decreasing than others previous years. Major export items were readymade garments, shrimps, tea & non-traditional items. The total import business amounted to BDT 10917 crores import financing as of December 31, 2015 which is 3.55% of national figure. Here from 2011 to 2015, the amount of it is decreasing, but next two years these are decreasing. ABL received foreign remittance for TK. 13,204 crores in the year 2015 with a growth rate of 11% percent out of TK. 12,980 crores of year 2014. Like year 2014, also in 2015 Agrani Bank Limited has been secured as the first among the State Owned Commercial Banks and stood second among the banks of Bangladesh. The investment portfolio of the bank at the end of the year 2015 stood at Tk. 20569.75 crores as against Tk. 15227.98 crores in the previous year, registering a growth of 35.08 percent. The operating income of the bank stood to tk. 4286 crores as on December, 2015. The operating expenditure of the bank stood at tk. 4308 crores in 2015 as against tk. 3096 crores in 2014. The bank's total operating profit before amortization, provision and tax stood at Tk. 878 crores in 2015. Total deposit of the bank as on 31 December, 2015 is tk.43997.55 Core which shows an increase of tk. 38392.19 core over that of the previous year. The rate increase in deposit was 14.60%.

# **C HAPTER-ONE:**

# **INTRODUCTION**

## **1.1. Background**

Bank is committed to provide high quality financial services to contribute to the growth of the country through stimulating trade and commerce, accelerating the pace of industrialization, boosting up export, creating employment opportunity for the youth, poverty alleviation, raising standard of living of limited income group and overall sustainable socio-economic development of the country. Agrani Bank Limited is one of the leading nationalized commercial bank in Bangladesh. Its pioneer role in handling foreign trade and foreign exchange transactions ever before independence of the country still remains unchallenged. With wide network of branches at home and also a large number of correspondent banks worldwide, it is singularly handling the largest volume of export-import business.

## **1.2. Origin**

This report is based on an internship program. HRPDOD of ABL arranges internship program to gather practical knowledge about banking activities followed by ABL for University students as Universities conducted with different organizations after the completion of theoretical courses of program of Master of Business Administration (MBA). At first, I applied to the department for getting a letter on interning and after getting it, I went to the head office of ABL in the human resource department. After ten days, I got a forward letter. Then I went to the selected branch with this letter and started my internship for three months. Hence I was placed in Shewrapara Branch of Agrani Bank Limited from January 09, 2017.

## **1.3. Objectives**

The general objective of the study is to gather practical knowledge regarding banking system and operation. The practical orientation gives us a chance to coordinate our theoretical knowledge with the practical experience. Desire objectives are:

- To understand operational activities of ABL and grasp how banks operate foreign exchange operations.
- To evaluated business performance and financial performance of the bank.
- To acquire information regarding foreign exchange of Agrani Bank Limited by survey analysis.



#### 1.4. Scope

The report covers the operational and functional area of foreign exchange department of the bank. The report also shows the operation of foreign exchange and performance analysis of previous five years. Basically, this study provides the total concept of foreign exchange performance and bank's net profitability.

#### 1.5. Limitations

To provide current information and to make the report read-worthy, support from various sources is a must. In spite of my best effort, I will not collect some information like internal operational guideline and other confidential reports at the time of the study. For the whole internship, 90 days is allocated for internship which will not sufficient for accumulating all information. So I may face with some challenges on time extremely. Sometimes the officers of Agrani Bank Limited will be very busy. For this reason, the personnel will not co-operate to me. In addition to that Agrani Bank Limited will not give me any kind of monetary support during internship period.

# **C HAPTER-TWO: LITERATURE REVIEW**

## Literature Review

Foreign exchange is a term that is now the buzzword of the modern business world. Foreign exchange means exchange of foreign currency between two countries. If I consider “Foreign Exchange” as a subject, then it means all kinds of transactions related to foreign currency. In other words, foreign exchange deals with foreign financial transactions.

“Foreign exchange transactions encompass everything from the conversion of currencies by a traveler at an airport kiosk to billion-dollar payments made by corporate giants and governments for goods and services purchased overseas. Increasing globalization has led to a massive increase in the number of foreign exchange transactions in recent decades. The global foreign exchange market is by far the largest financial market, with average daily volumes in the trillions of dollars.”

In Bangladesh, we have the unit of money is 'Taka' for domestic transaction; also have other obligations by exchanging foreign currencies. To meet-up the obligation that arise import of goods and services from other countries, other foreign necessity, that part of the economic science, which deals with the conversion of domestic currency into foreign currency for the purpose of setting international obligations, is called foreign exchange.

“Foreign exchange refers to the process or mechanism by which the currency of one country is converted into the currency of another country. Foreign exchange is the means and methods by which rights to wealth in a country's currency are converted into rights to wealth in another country's currency”.

One of the largest businesses carried out by the commercial bank is foreign trading. The trade among various countries falls for close link between the parties dealing in trade. The situation calls for expertise in the field of foreign operations. Mainly transactions with overseas countries in respect of import, export and foreign remittance come under the preview of foreign exchange department. International trade demands a flow of goods from seller to buyer and of payment from buyer to seller.

Foreign exchange deals with the means and methods by which rights to wealth in one country's currency are converted into those of another currency. Import means bringing merchandise to country from any place rest of the world. As per Import and Export Control Act, 1950 person can indent, import or export any goods into Bangladesh except in case of exemption issued by the Government of the Peoples Republic of Bangladesh. There has been little study on foreign exchange risk management of exporting firm in developing countries. The literature reviewed in

the study is cited mainly from studies carried out in developed countries in relation to its applicability in developing countries. In international business two national currencies are naturally involved; the currency of the buyer and the currency of the seller. One characteristic that distinguishes the international from the domestic transaction is the need to agree on which currency will be used. Firms should identify and quantify their exposure to currency risk, which is a basis for a suitable currency risk management strategy. There is a variety of currency risk management strategies namely currency risk transfer, currency risk reduction and control or currency risk retention in case of foreign currency.

# **C** **HAPTER- THREE:**

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## **METHODOLOGY**

## **2.1. Rationale**

Bangladesh is one of the underdeveloped countries in the world. The economy of the country has a lot left to be desired and there are lots of scopes for massive improvement. In an economy like this, foreign exchange can play a vital role to improve the overall economic condition of the country. This report is an effort to reflect a clear idea about the strategies, activities, and performance of banking profitability regarding foreign exchange operations.

## **2.2. Methodology**

The study methodology included observation of ABL work procedure, analysis of their information input forms and their output documents, face-to-face communication with the clients, interviews of relevant ABL officials. This study conducted from 9 January 2017 to 9 April 2017.

### Exploratory research

Exploratory research is a type of research conducted for a problem that has not been clearly defined. Exploratory research helps determine the best research design, data collection method and selection of subjects. It draws definitive conclusion only with extreme caution. Given its fundamental nature, exploratory research often concludes that a perceived problem does not actually exist. Exploratory research often relies on secondary research such as reviewing available literature and data, or qualitative approaches such as informal discussion with consumers, employee, management or competitor, and more formal approaches through in-depth interviews.

### Questionnaire preparation

The entire questionnaire is prepared based on the comparativeness of employee and customers. There are ten types of question which represent current condition of Agrani Bank Limited. The structure questionnaire will be developed in such way where it would be used as the major tools of this research. Questionnaire enriched with ten questions which focusing on ten different dimensions.

### Target group

Customers and employees Agrani Bank Limited is selected as target group of this study.

## Data collection instrument

In-depth interview: During the exploratory research, I will conduct in –depth interviews with employees and customers of Agrani Bank ltd.

Review of the previous financial reports of Agrani Bank Limited.

## Sources of information

Probable source of data has been categorized in two ways

### Primary source:

- ❖ Discussion with officials of The Agrani Bank Ltd.
- ❖ Face to face conversation with the clients
- ❖ Direct involvement in the foreign exchange activities in ABL
- ❖ Direct Observation
- ❖ Questioning the concerned persons

### Secondary source:

- ❖ Annual Report ABL
- ❖ ABL website
- ❖ Periodicals published by Bangladesh Bank
- ❖ Monthly reports and published documents
- ❖ Office circular and other published papers, documents and reports
- ❖ Relevant books Newspaper, Journals etc.

# **C** **HAPTER-FOUR:**

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## **OVERVIEW OF AGRANI BANK LTD.**



## **4.1.History of Agrani Bank Limited**

Agrani Bank Limited has been incorporated as a Public Limited Company on May 17, 2007 vide Joint Stock Companies Agrani Bank Limited, a leading commercial bank with 907 outlets strategically located in almost all the commercial areas throughout Bangladesh, overseas exchange houses and hundreds of overseas Correspondents, came into being in 1972 immediately after the emergence of Bangladesh as an independent state. It started functioning as nationalized commercial bank taking over assets and liabilities of the interest while Habib Bank Ltd. and Commerce Bank Ltd. functioning in the East Pakistan. Agrani Bank Limited is governed by the board of directors consisting of 11(eleven) members headed by a chairman. The bank has 7 circle offices, 30 divisions in head office, 52 zonal offices and 867 branches including 10 corporate and 40 AD(authorized dealer) branches. The corporate and AD branches are authorized to deal in foreign exchange business.

Bank continued to grow steadily in all major areas. Deposits increased by 14.60 percent in 2015 and reached Tk. 43,998 crores from Tk. 38,392 crores in 2014. Total loans and advances in 2015 was TK. 24,480 crores as against Tk. 23,509crores in 2014, with a growth of 4.13 percent over the previous year.

The Bank's profit also continued to grow. The profit before amortization, provision and tax decrease by 18.2 percent to Tk. 878 crores in 2015 from Tk. 1,073.95 crores in 2014. As a result, the capital surplus of Tk. 8.33 crores in 2014 reached a capital surplus of Tk. 111.75 crores in 2015 even after covering capital requirement.

The foreign remittance through different channels of ABL was tk.13,204 crores in 2014.This has been possible because of bringing all the branches under wide internet coverage, establishing our own exchange houses in different countries, and having linkages with a good number of foreign exchange houses abroad. ABL will take more steps through organizing remittance fair to make expatriate Bangladeshis aware of our remittance activities. To face the banking challenges all branches have been digitalized through introducing T24 online banking software, increasing number of ATM booths so that it can meet the ever changing demand of the customers.

During the year, ABL's total deposits was Tk. 43,998 which was Tk. 38,392 crores in 2014, loans and advances was Tk. 24,480 crores which was Tk. 23,509 crores in 2014, operating profit was Tk. 1,474crores at the end of 2011, which is the highest among the State Owned Commercial Banks (SCB).Bank's total assets have also increased to Tk. 56535 crores from Tk. 49,487 crores i.e. 14.24 percent

increase in a year time. Import and export was Tk. 10,917 crores and Tk. 7,543crores respectively.

Remittance reached to Tk.13,204 crores from 12, 980 crores with 1.73 percent growth over the preceding year. From 2012 to 2014 ABL secured first position in earning foreign remittance among the SCBs.

In the year 2014, Net Interest Margin was Tk.118.59 crores which is positive figure among the three big SCB's. Export of ABL in 2014 was Tk. 8,345 crores than 7,845 crores of 2013 with a growth rate of 6.37 percent. In the year 2014, the Treasury utilized Bank's Fund prudently and ensured maximum benefit. For strong credit and better Balance Sheet management, the multinational bank Standard Chartered Bank of UK allowed ABL 100 million US Dollar soft loan for three years.

ABL is trying to adapt strategies to the changing business environment by launching different products at different times, controlling operating expenses, diversifying our credit programs to more profitable areas, inventing new avenues in SME financing, manpower business, Islamic banking, green banking, increasing branches of our overseas exchange houses and establishing new subsidiary company as part of expanding business capacity of the Bank.

During the year 2014, ABL made significant progress in different areas. It drew out the strategies in the areas of capital strengthening, risk management, strong ICC, asset quality, product development, business diversification, technological integration and up gradation, SME and agri-financing in line with the national policies. Credit Rating of ABL from 2007 to 2013 has been affirmed 'AAA' in long term, 'ST-1' in the short term as a government entity and 'A-' as Stand Alone Basis by the Credit Rating Information Services Limited (CRISL) which demonstrates strong financial soundness and reputation of the Bank.

## **4.2. Mission Vision & Motto**

**Mission:** To operate ethically and fairly within the stringent framework set by our regulators and to assimilate ideas and lessons from best practices to improve our business policies and procedures to the benefit of our customers and employees.

**Vision:** To become the best leading state owned commercial bank of Bangladesh operating at international level of efficiency, quality, sound management, excellent customer service and strong liquidity.

**Motto:** To adopt and adapt modern approaches to stand supreme in the banking arena of Bangladesh with global presence.

## **4.3. Business Performance**

### **4.3.1. Assets Quality**

For improving the quality of assets, the bank management has prioritized financing in trade and commerce by providing working capital. However, some pragmatic steps have been taken to reduce non-performing loans.

### **3.3.2. Import-Export Business**

The bank's foreign trade related activities are well run by skilled manpower to earn confidence of importers, exporters and others. For smooth conduct of international trade, Agrani Bank Limited has as many as 416 foreign correspondents throughout the world.

### **4.3.3. Treasury Operation**

As in 2013 and 2014, the fund management division also performed as a major market maker and market leader in 2015. The good news for the year under review was that the division achieved a remarkable success in providing a lion share to the bank's total income. Through prudent treasury operation, it became the bank's top profit centre.

## **4.4. SWIFT**

The Society for Worldwide Interbank Financial Telecommunication ("SWIFT") operates a worldwide financial messaging network which exchanges messages between banks and other financial institutions. Agrani Bank Limited is a member of SWIFT. SWIFT code is AGBKBDDH. Different 35 branches of the bank are connected with SWIFT through SAP (SWIFT Access Point). SWIFT is operated via dial up connection and receives and sends messages from central server. With a view to ensuring better services to the customers especially to the importers, exporters and remitters, Agrani Bank Limited has, in the meantime, set up 14 SWIFT stations in the near future. Bank is expecting that customers will soon be brought online to meet their banking needs through use of their computers and phones.

## 4.5. Financial Performance at a Glance

Table1: Financial Performance at a Glance

Particulars	Taka in crores				
	2009	2010	2011	2012	2013
<b>Deposits</b>	16628	20633	25221	29243	34868
<b>Total Assets</b>	21406	26485	34882	37872	44416
<b>Total Equity</b>	1144	1572	2594	717	3564
<b>Total Operating Income</b>	1636	2402	3301	3700	4113
<b>Total Operating Expenditure</b>	992	1316	1827	2693	3049
<b>Import</b>	7753	16792	26877	16963	15947
<b>Export</b>	4461	6443	9310	8838	7845
<b>Remittance</b>	5587	7097	8682	11681	12657
<b>Paid- up Capital</b>	497	547	901	991	2072

Source: Annual Report of ABL-2015

## 4.6. Products and Services

Table 2: Products and services of ABL.

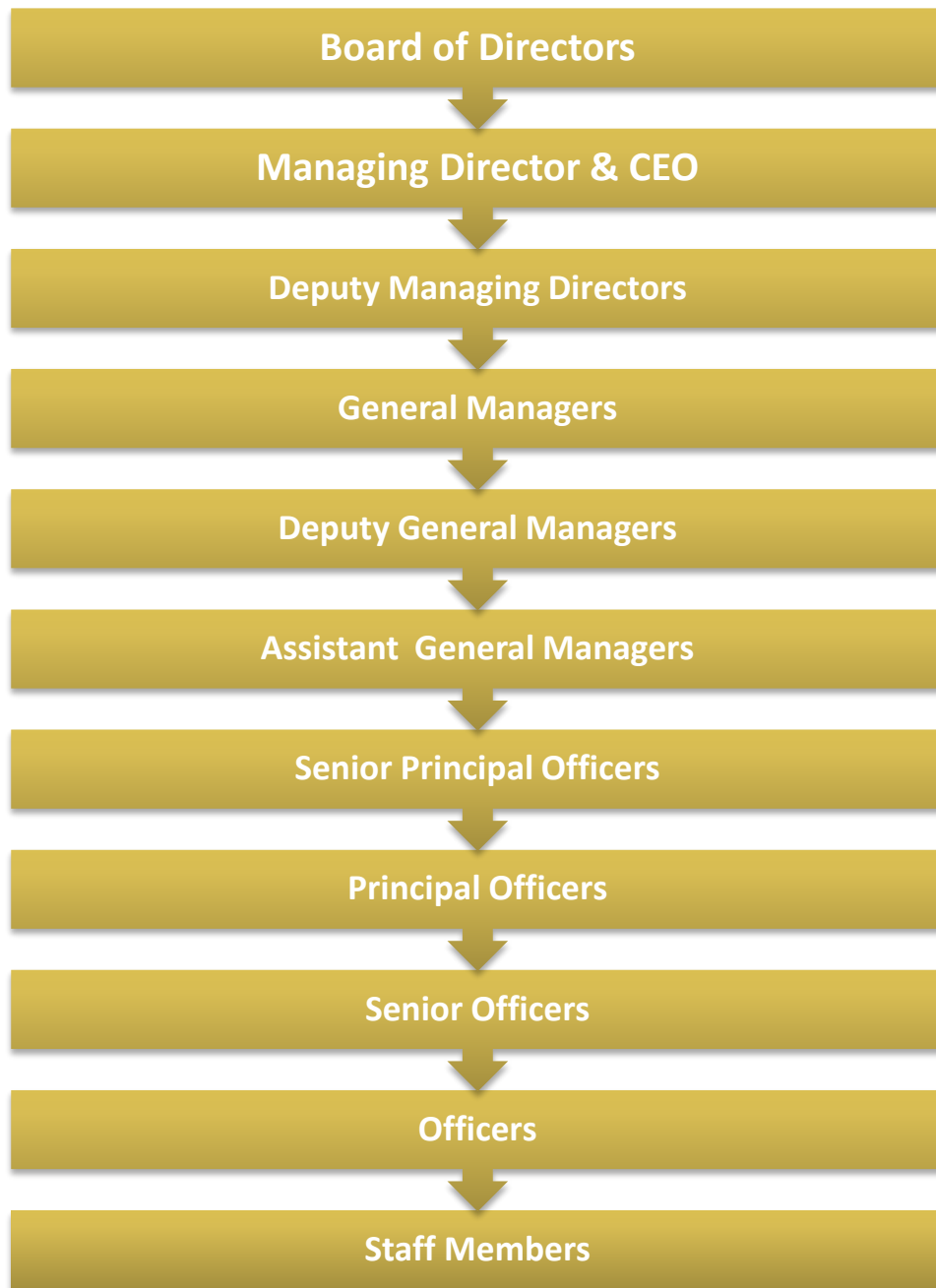
<b>Deposits:</b>	<b>Foreign currency Account:</b>	<b>Loan and Advance:</b>	<b>Foreign exchange market:</b>
i. Current deposit ii. Saving deposit iii. Fixed deposit iv. Special Notice Time Deposit (SNTD) v. Non- Resident Special Taka Account (NRTA)	i. Foreign Currency (FC) A/C ii. Non-Resident Foreign Currency Deposit (NFCD) A/C iii. Resident Foreign Currency Deposit (NFCD) A/C iv. Exporters Retention Quota (ERQ) A/C	i. Cash Credit ii. Secured Overdraft iii. Inland Bill Purchase iv. Export Cash Credit v. Industrial Credit(IC) vi. Housing Loan vii. Consumer Credit	i. Preparation of Exchange Rate ii. SWAP Transactions iii. Term Placement iv. Letter of credit v. Letter of Credit-Sight vi. Back to Back L/C

Source: Annual Report of ABL-2015

## **4.7. Agrani Bank Corporate Governance**

Observing the spirit of good governance is a core value for the bank. This makes sense in business terms, and also conforms to the rules, regulations and guidelines issued from time to time by the regulators such as Government, Bangladesh Bank, Registrar of Joint Stock Companies and Firms, Securities and Exchange Commission and the like in matters of capital adequacy, statutory reserves, liquidity, pricing, budgeting, superior client service, product quality, disclosures, credit portfolios, their associated risk factors and their preventions, internal control and compliances etc. The board sets the strategy and approves the annual operating plans presented by the management for achievement of the strategic objectives. The board meets regularly and receives information about the overall activities for smooth operation of the bank. As a result, all the Directors have full and timely access to all relevant information. Thus the bank remains within the regulatory framework to promote greater accountability and transparency in all its policies and practices.

### 3.8. Hierarchy of Agrani Bank Ltd.



Source: Annual Report of ABL-2015

Figure 1: Hierarchy of ABL.

# **C HAPTER-FIVE:**

## **FOREIGN EXCHANGE OPERATIONS OF AGRANI BANK LTD.**

## **5.1. Introduction**

Foreign exchange means foreign currency and includes all deposits. Foreign trade can be easily defined as a business activity, which transcends national boundaries. Foreign trade can usually be justified on the principle of comparative advantage. It is economic profitable for a country to specialized in the production of that commodity in which the producers has the greater comparative advantage and to allow the other country to produce that commodity in which it has the lesser comparative advantage. In order to conduct foreign exchange operation systematically and methodically the Foreign Exchange Regulation (FER) Act, 1947 enacted on the 11th march 1947 for regulating receipts and payments and dealings in the foreign exchange and securities. Basic regulations for conducting foreign exchange operation are issued by the Government as well as by the Bangladesh Bank.

## **5.2. Definition of Foreign Exchange**

Foreign exchange is a process which converts one national currency into another and transfer money from one country to other countries. Foreign exchange is that section of economic science which deals with the means and method by which right to wealth in one country's currency are converted into right to wealth in term of another country's currency.

## **5.3. Foreign Exchange Accounts**

### **5.3.1. Nostro Account**

Nostro account means “our account with you”. A nostro account is a foreign currency account of AgraniBank maintained by its foreign correspondents abroad.

### **5.3.2. Vostro Account**

Vostro account means “your account with us”. The account maintained with foreign correspondent in Agrani Bank of a particular country is known as vostro account.

### **5.3.3. Loro Account**

Loro account means “their account with you”. Account maintained by third party is known as Loro account.



## **5.4. Foreign Exchange Services**

ABL is rendering various kinds of services in international transaction of their clients. Some are described below:

### **5.4.1. L/C Opening**

Bangladesh is mainly an import oriented country. So, L/C is a very important import document which is issued by ABL. In international market, two parties are not known to each other. The importers of Bangladesh give an L/C to exporters of foreign country to give the assurance of payment. ABL is opening L/C in favor of their clients.

### **5.4.2. Export Processing**

When exporters' foreign document comes to ABL, ABL collects payment from foreign bank for its party. ABL purchase bill if their party will need early cash.

### **5.4.3 Advising of Export L/C**

The advising bank getting the import L/C sent by the issuing bank located abroad will advise the L/C to the beneficiary without any engagement or responsibility on their part. It will see the following only:

- ❖ Issuing bank should be a reputed bank.
- ❖ Credit line/ Arrangement with the L/C issuing bank.
- ❖ L/C clause is to be acceptable to confirming bank.
- ❖ Approval from the competent authority for adding confirmation of export L/C
- ❖ Confirmation charges are to be recovered as per rules.

### **5.4.4. Negotiating of Export L/C**

Documents / papers to be submitted by exporter to bank for negotiation/ collection against export L/C. The exporters submit the documents to bank as per requirement of bank. Agrani Bank must scrutinize all the documents stipulated in the credit with reasonable care to ascertain whether they confirm with the terms of the credit, the bank may negotiate and pay the value of export bill to the exporter.

### **5.4.5. Loan facilities**

Loan facility is given to clients to help in foreign exchange. Different types of loan facilities are - (i)CC (ii) LTR (iii)LIM (iv)Sanction of L/C.

#### 5.4.6. Dollar sale and purchase

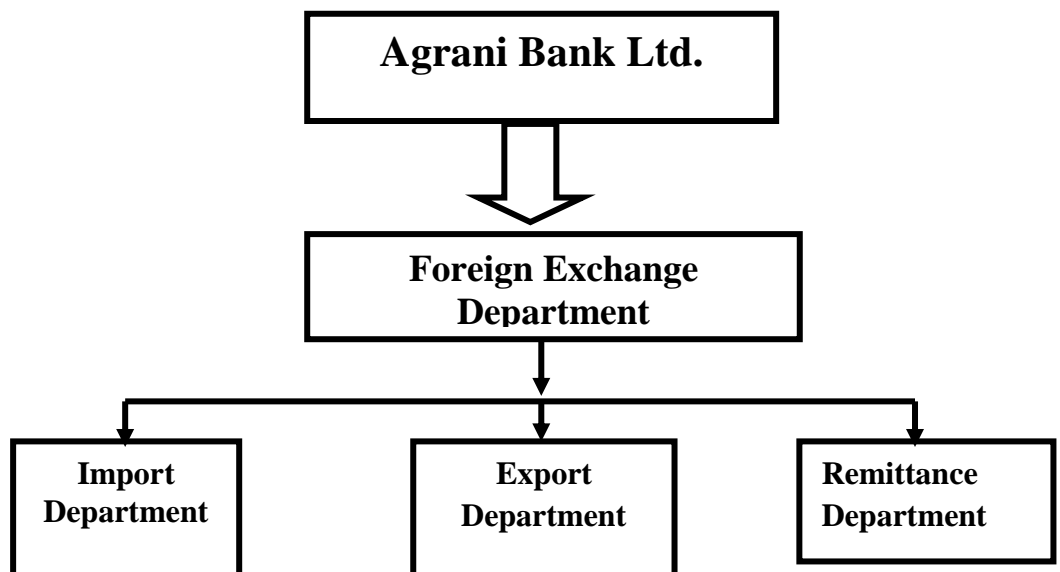
ABL sells dollar against passport. The rate of exchange is given by Bangladesh Bank which change every day.

#### 5.3.7. Service Provided by Agrani Bank against Export L/C

- ❖ OD buying rate (Sight Draft)
- ❖ Usage rate (For DA Bill)
- ❖ Appropriate rate (For DP Bill)

**i. FDBC:** If the export document is not purchase by ABL, it is called foreign documentary bill collection. At the maturation data of export bill, ABL collects the payment for party. The collection process is same as LDBC. Only the postage charge is high. The postage charge is Tk. 800 within SAARC countries within Asia Tk.1500 and outside Asia is Tk. 2000.

**ii. FDBP:** If the exporter need money before that the maturation of export document. He/ She can sale it to ABL. It is called foreign documentary bill purchase.



Source: Export and Import Section of ABL

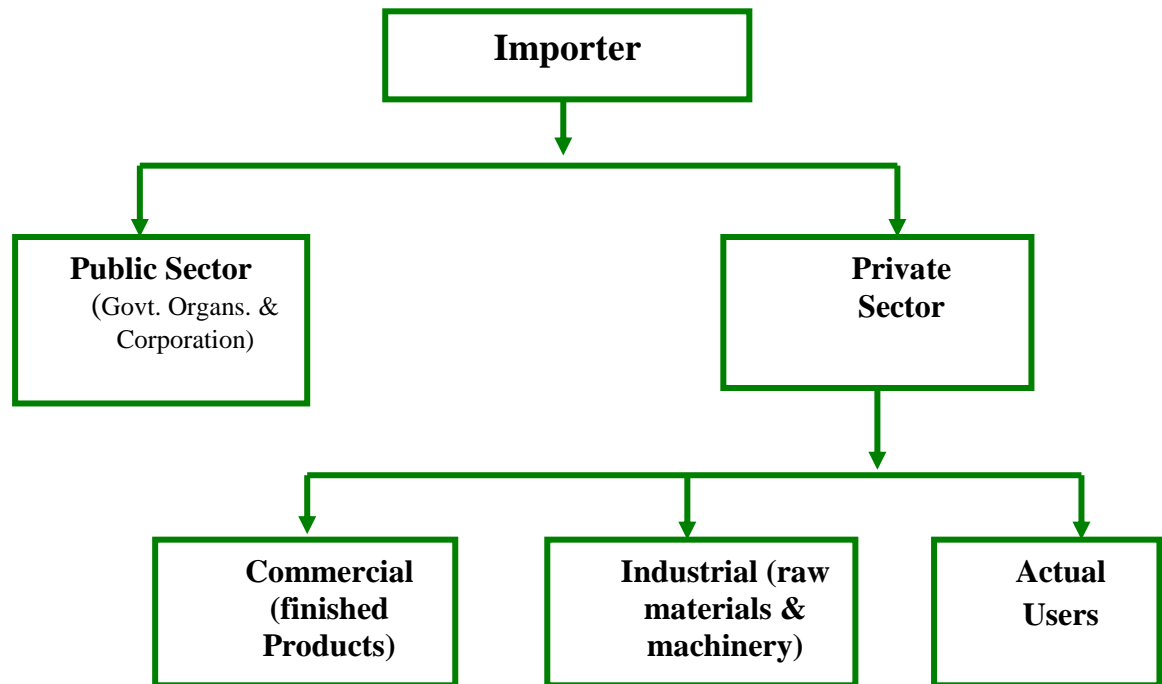
Figure 2: Foreign Exchange Departments

## **5.5. Import Department**

Import is the flow of goods and services purchased from one country to another. Hence, import of merchandise essentially involves two things: bringing of goods physically into the country and remittance of foreign exchange towards the cost of the merchandise and services connected with this to the importer. In case of import, the importers are asked by their exporters to open letters of credit so that their payment against goods is ensured. ABL provides different services to the importer of Bangladesh.

### **5.5.1. Import Procedures**

- ❖ Performa Invoice / Indent.
- ❖ Membership certificate from a recognized Chamber of Commerce and Industry or Town Association or registered Trade Association.
- ❖ Letter of Credit Authorization (LAC) Form properly filled in quintuplicate signed by the importer.
- ❖ L/C application duly signed by the importer.
- ❖ One set of IMP Form.
- ❖ Insurance Cover Note with money receipt.
- ❖ A bank account with the branch.
- ❖ Import Registration Certificate (IRC).
- ❖ Tax Payer's Identification Number (TIN).
- ❖ VAT Registration Certificate (for Commercial Importers).
- ❖ In case of public sector, attested photocopy of allocation letter issued by the allocation authority, Administrative Ministry or Division specifying the source, amount, purpose, validity and other terms and conditions against the imports.
- ❖ Any such documents as may be required as per instruction issued/to be issued by the Chief Controller of Imports & Exports (CCI&E) from time to time.



Source: Export and Import Section of ABL.

Figure 3: Types of Importers

### 5.5.2. Import Financing Sectors of Agrani Bank

Agrani Bank is the major financier of import business in our country. In extend credit, grant and other facilities, Agrani Bank finances to the following sectors:

- ❖ Machinery and transport equipment.
- ❖ Petroleum and petroleum products.
- ❖ Textile, yarn, fabrics, article and related products.
- ❖ Chemicals and iron and steels.
- ❖ Cereal and cereal preparations.
- ❖ Dairy products and eggs.
- ❖ Other including loans and grants.

### 5.5.3. Import Financing System of Agrani Bank

- ❖ Registration of import.
- ❖ Income tax registration certificate.
- ❖ Partnership deed in the case of partnership concern.
- ❖ Certificate of registration with the register of joint stock companies.
- ❖ Articles and memorandum of association in the case of limited companies.

- ❖ Nationality certificate and bank certificate.
- ❖ Ownership documents in place of business.
- ❖ Trade license from the relevant authority.
- ❖ Survey clearance from the relevant authority.
- ❖ Other documents prescribed in the import policy.

#### **5.5.4. Import Scrutiny**

The import bills consist of the following documents and the order of their scrutiny should be as below:

- ❖ Forwarding schedule of negotiating bank.
- ❖ Bill of exchange.
- ❖ Invoice.
- ❖ Bill of lading
- ❖ Insurance documents.
- ❖ Certificate of origin.

#### **5.5.5. Import Bills Retirement**

- a) Banker will prepare and pass retirement vouchers.
- b) Importer will deposit the claim amount.
- c) Certifying invoices and entry in the register.
- d) Endorsement in the bill of exchange and transport documents i.e. Bill of Lading.
- e) At the end of the total procedure, taking the retirement of import bills or clearing certificate from the bank, the importer will clear the goods from the port through the clearing and forwarding agent.
- f) On the other hand, completing the above all steps the issuing bank will prepare "foreign exchange transaction schedule" and send one copy to international division of head office and another one copy to reconciliation.

#### **5.5.6. Risk of Import Financing**

In the trade - there are so many risk factors involved. In banking sector, the bank faces risk basically from loans and advances and foreign exchange. In this section, I will discuss the risk of import financing. There may be abrupt changes in socio-economic or political situation in the buyer's country or in the seller's country. Even the exchange value of currencies of the two countries had gone so much down that they were not acceptable or exchangeable in international market. More over the importer or the exporter may not be able to comply with the terms of credit for some reasons. Agrani Bank has to consider following risk in financing the import procedure:-

**(a) Commercial risk**

- ❖ Violation of the requirement of letter of credit authorization or letter of credit.
- ❖ Import against indent and Performa invoice.

**(b) Political risk**

- ❖ Sudden outbreak of war, revolution, coups or civil disobedience in the seller's country.
- ❖ Imposition of restriction on remittance.
- ❖ Imposition of trade embargo or blockade.
- ❖ New import restriction on the buyer or cancellation of the license.
- ❖ Additional handing transport or issuance charges due to interruption or diversion of voyage, which can't be recovered from the buyer.

**(c) Informational risk**

There may be informational risk inherent in import financing on the importer because of shortage of required information. So it is much harder to judge the financial strength, reputation and integrity of a seller or buyer who is thousands of miles away and belongs to a different culture.

## **5.6. Export Department**

Export is the process of selling goods and services to the other countries. Creation of wealth in any country depends on the expansion of production and increasing participation in international trade. An exporter is who exports the goods to another customer whether in domestic country or in abroad. In exporting the stipulated goods, he may require financing. So export financing may be required at two stages:

**a) Pre- shipment credit**

Pre shipment credit is the credit which is given to finance the export activities of an exporter for the actual shipment of goods. The purpose of each credit is to meet the working capital needs from the procuring of raw materials to the transportation of goods for the export of the foreign country.

**b) Post shipment credit**

There is a time gap between export of the goods and realization of the proceeds. So exporter may require finance in that period to continue his business. So Agrani bank may finance against export documents ensuring the following:

- ❖ Export documents comply with the credit terms.
- ❖ Party's past performance is satisfactory.
- ❖ Any other security in case of exporting under contract.

### **5.6.1. Export Procedures**

There are a number of formalities which an exporter has to fulfill before and after shipment of goods. These formalities or procedures are enumerated as follows:

- ❖ Obtaining Export Registration Certificate (ERC).
- ❖ Securing the Order.
- ❖ Signing of the Contract.
- ❖ Receiving the Letter of Credit.
- ❖ Endorsement on EXP.

### **5.6.2. Export Financing Sectors of Agrani Bank**

Export financing can play a vital role in the development process of Bangladesh. With earning on export, we can meet our import bills. The export trade is always encouraged because the major portion of foreign exchange earnings is derived from export. Because of shortage of adequate capital exporters have to come in contact with commercial bank and financial institution to get finance from them. Agrani Bank as a commercial bank provides certain facilities to the exporters to boost up export earnings. The traditional and non-traditional sectors in which Agrani Bank provides export-financing facilities are as follows:

- ❖ Ready Made Garments in all sorts.
- ❖ Jute manufactures.
- ❖ Jute - raw and Mesta.
- ❖ Fish and Prawns.
- ❖ Hides, Skins and Leather.
- ❖ Tea and Fertilizer etc.

### **5.6.3. Export Financing System of Agrani Bank**

Bangladesh as a developing country depends mainly on foreign exchange earnings for its development activities. The major portion of foreign exchange earnings is derived from export obviously, to boost export; government provides certain incentives to the exporters namely:

- ❖ Export financing.
- ❖ Development financing.
- ❖ Export credit Guarantee Scheme.
- ❖ Export performance benefits.
- ❖ Duty drawback.
- ❖ Rebate on duty and tax.

- ❖ Income tax rebate.
- ❖ Insurance premium rebate.
- ❖ Conditional cash subsidy to garments industry etc.

#### **5.6.4. Risk of Export Financing**

While there are many advantages to exporting, it is not without risk. Indeed, there are often factors present in international market, which makes foreign exchange substantially more risky than domestic ones, including the credit risk of non-payment or non-acceptance of the merchandise by the buyer. For international sales, these risks are far more pronounced than they are domestically. For these reasons, Agrani Bank also accompanied with elements of uncertainty some which are as follows:

##### **(a) Commercial risk**

- ❖ Insolvency of overseas buyer, which results in non-realization of export proceeds.
- ❖ Failure of the buyer to retire credit already accepted by him / her in case of stance bill within stipulated period.
- ❖ Willful negligence of the importer to accept of pay bill or to accept goods for no fault of exporter.

##### **(b) Political risk**

- ❖ Sudden outbreak of war revolution or civil disobedience in buyer's country.
- ❖ Imposition of restrictions on remittance on any government action in the buyer's country which may block or delay payment.
- ❖ Imposition of trade embargo or blockade against any country.
- ❖ New import restriction on the buyer or cancellation of the license.
- ❖ Additional handling transport or insurance charges due to interruption or diversion of voyage, which cannot be recovered from buyer.
- ❖ Bankrupt or closure of a bank or stoppage of operation of a bank may hamper repatriation of exports proceeds of letters of credit opened by such a bank.
- ❖ Any other cause of loss occurring outside the exporter's country beyond the control of importer or exporter.

##### **(c) Informational risk**

Often credit information on the importer is not available or at best sketchy because buyers and sellers live in different socio-economic and political environment. It is much harder to judge the financial strength, reputation, integrity of a buyer who is thousands of miles away and belongs to a different culture.



#### **(d) Pre-shipment export credit risk**

Pre-shipment export credit risk involves the following additional risks:

- ❖ There may be diversion of fund because of low interest rate.
- ❖ Uncertainties relating to non-availability of new materials may hamper processing of exportable products.
- ❖ The exporter may not be able to make shipment within the stipulated time due to power failure, strike, natural calamities etc.
- ❖ The materials under back-to-back letter of credit may not reach well in time to allow the exporter to process goods within the expiry date of original export letter of credit.

### **5.7. Foreign Remittance Department**

Foreign remittance means the foreign currency coming into the country and going outside the country. Inward foreign remittance increase the country's image and outward foreign remittance is not very good for country's economy. The purpose of foreign remittance is to transfer foreign money. ABL plays an important role in foreign remittance transfer.

#### **5.7.1. Kinds of Remittance**

All kind of remittance comes to the head office server of ABL SWIFT is used to transfer money. When remittance comes to the head office it is sent to different branches for final payment. Remittance can become and go in following ways.

- ❖ Foreign T/T.
- ❖ Mail Transfer (MT).
- ❖ Foreign demand draft (FDD).
- ❖ Import payment.
- ❖ Traveler's cheque.
- ❖ Export cheque.
- ❖ Cash dollars.
- ❖ Credit card (International).

#### **5.7.2. Money Transfer by Remittance Company**

ABL has contact with online money transfer companies. They have 50:50 profit sharing contracts. The receiver need not to any give chance to bank. The online companies' are-

- ❖ Western Union.
- ❖ Money gram.

- ❖ Xpress money payment.
- ❖ ABL quick pay.
- ❖ Cash express.

Western Union money transfer is very popular in Bangladesh. ABL is first to contract with Western Union. As a result, inward remittance can come to Bangladesh in a minute from anywhere of the world. People can collect from any branch of ABL from Bangladesh. For it the receiver doesn't need any bank account with ABL and they don't need to pay money.

### **5.7.3. Money Transfer by Exchange House**

Agrani Bank Limited maintains a strong network with the Overseas Exchange Companies and Banks in different parts of the world ensuring better remittance services for its customers. Agrani Bank has remittance arrangements with different bank and exchange houses in various countries throughout the world. The bank has earned the confidence and reputation as a reliable organization of paying hard earned money of the expertly Bangladesh to their beneficiaries in the country safely and quickly.

### **5.7.4. Outward Remittance**

The term "Outward remittances" include not only remittance i.e. sale of foreign currency by TT, MT, Drafts, Travelers Cheque, but also includes payment against imports into Bangladesh and local currency credited to Non-resident Taka Accounts of foreign banks or Convertible Taka Account.

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

- ❖ IMP Form: All outward remittance on account of imports is done by form IMP.
- ❖ T.M. Form: For all other outward remittances from T.M. is used.

### **5.7.5. Inward Remittance**

The term "Inward Remittance" includes not only purchase of Foreign Currency by TT, MT, Drafts etc. but also purchases of bills, purchases of Traveler's cheque.

Two forms as prescribed by Bangladesh Bank are used for purchase of Foreign Currencies such as.

- ❖ EXP Form: Remittances received against exports of goods from Bangladesh are done by form EXP.
- ❖ Form C: Inward remittances equivalent to US\$2000/- and above are done by Form " C". However, declaration in Form C is not required in case of remittances by Bangladesh Nationals working abroad.

So I see that there are two types of foreign remittance:

Table 3: Types of Foreign Remittance

Mode of Foreign Outward Remittance	Mode of Foreign Inward Remittance
<ul style="list-style-type: none"> <li>❖ Foreign Telegraphic Transfer (FTT).</li> <li>❖ Foreign Mail Transfer (FMT).</li> <li>❖ Foreign Demand Drafts (FDD).</li> <li>❖ Travelers Cheque (TC).</li> <li>❖ Foreign Currency Notes</li> </ul>	<ul style="list-style-type: none"> <li>❖ Telegraphic Transfer (TT).</li> <li>❖ Mail Transfer (MT).</li> <li>❖ Foreign Demand Drafts (FDD).</li> <li>❖ Payment Order (PO).</li> <li>❖ Travelers Cheque (TC).</li> <li>❖ Foreign Currency Notes.</li> </ul>

Source: Annual Report of ABL-2015

## 5.8. Documents Used in Foreign Exchange

### ❖ Letter of Credit (L/C)

Letter of Credit is an undertaking by a banker of the importer to the exporter, to the effect that the amount of the L/C will be duly paid. The banker on behalf of the importer issues the L/C in favor of the exporter (beneficiary) and forwards the same to the exporter to the effect that the bill drawn by him shall be duly accepted and paid.

### ❖ Bill of Exchange

A bill of exchange is an instrument in writing, containing an unconditional order, signed by the maker, directing a certain person to pay on demand or on fixed or determinable future time a certain sum of money only to or to the order of a certain person or to the bearer of the instrument.

### ❖ Bill of Lading

A bill of lading is a document that is usually stipulated in a credit when the goods are dispatched by sea. It is evidence of a contract of carriage, is a receipt for the goods, and is a document of title to the goods. It also constitutes a document that is, or may be, needed to support an insurance claim.

### ❖ Commercial Invoice

A commercial invoice is the accounting document by which the seller charges the goods to the buyer. A commercial invoice normally including the following information:

- ❖ Date, name and address of buyer and seller.
- ❖ Order or contract number, quantity and description of the goods, unit price and the total price.
- ❖ Weight of the goods, number of packages and shipping marks & number.
- ❖ Terms of delivery & payment.
- ❖ Shipment details.

#### ❖ **Inspection Certificate**

This is usually issued by an independent inspection company located in the exporting country certifying or describing the quality, specification or other aspects of the goods, as called for in the contract and / or the letter of credit.

#### ❖ **Performa invoice or indent:**

Seller's quotation or agreement is between seller and buyer. In this, the seller declared the rate, quantity, quality, manufacturing and other information about goods and that accepted by buyer.

### **5.9. Letter of Credit (L/C)**

Letter of Credit is an undertaking by a banker of the importer to the exporter, to the effect that the amount of the L/C will be duly paid. The banker on behalf of the importer issues the L/C in favor of the exporter (beneficiary) and forwards the same to the exporter to the effect that the bill drawn by him shall be duly accepted and paid. It creates confidence in the mind of the exporter so far as payment of the bill is concerned. It is also facilitate the exporter to get the benefit of discounting the bill before the date of maturity.

#### **5.9.1. Parties of Letter of Credit transaction**

- ❖ Issuing Bank
- ❖ Advising Bank
- ❖ Confirming Bank
- ❖ Reimbursing Bank
- ❖ Negotiating Bank
- ❖ Nominated Bank

#### **5.9.2. Procedure for letter of credit opening**

After completion of the previous particulars, then the party take money and bank give letter of credit to the party by checking the declared particulars of the party. Then one copy sends to the beneficiary / negotiating bank. The beneficiary bank sends the document to exporter. The exporter is the beneficiary bank for shipment

of the goods. Then the beneficiary bank sends back to the letter of credit opening bank.

The LC opening bank scrutinizes the documents and sends to the importer. When the importer accepts the documents then LC opening bank do lodgment (it is the payment procedure in lodgment voucher). The party goes for customs clearing. After clearing the importer submit the customs "Bill of entry" certificate within four months to the LC opening bank. The LC opening bank matching the documents and report to the Bangladesh Bank within the month of retirement of LC. Then the letter of credit is fully closed.

### **5.9.3. Classification of Letter of credit as per function**

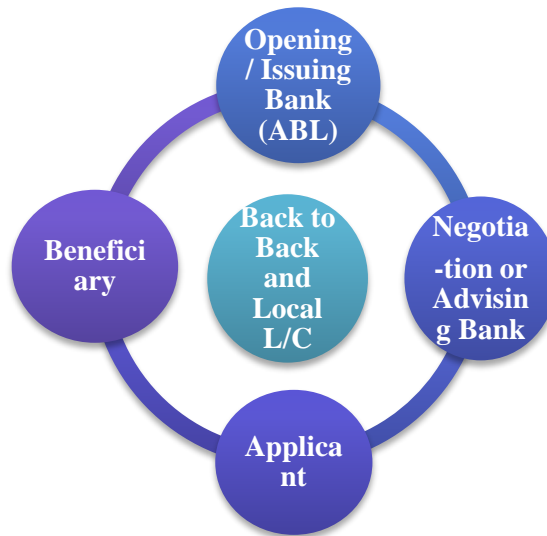
- a. LC under cash
- b. LC under loan.
- c. LC under grant
- d. LC under wage.
- e. Back to back LC.

### **5.9.4. Required documents for letter of credit opening**

- ❖ Proposal letter.
- ❖ Application and agreement for irrevocable LC with adhesive stamp of TK.150.
- ❖ Import license.
- ❖ TIN.
- ❖ VAT registration.
- ❖ Indenting certificate.
- ❖ Performa invoice - two copies.
- ❖ LCA (Letter of Credit Authorization) form for industrial consumer.
- ❖ Signature of director of the firm and manager of Agrani Bank.
- ❖ IMP form - Four copies.
- ❖ Money receipts of insurance policy.
- ❖ After preparing the procedure the bank provide offer in prescribed "offering sheet".
- ❖ Approval certificate of Bangladesh Bank on behalf of the importer.

### **5.10. Back to Back and Local L/C**

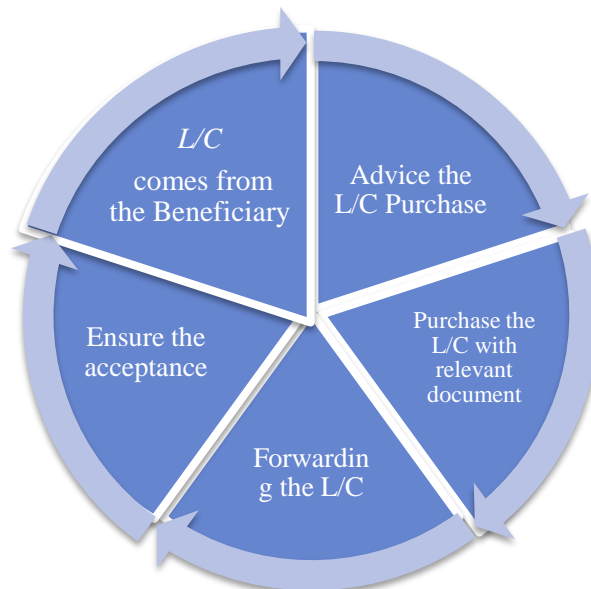
In against of export L/C, ABL give the facility to open back to back and local L/C. If the exporter exports the garments products as shirt, then he has to also purchase the bottom, logo, tag, yarn etc. for the shirt. And in this case, if the exporter has not enough money to purchase that, then the bank would help the exporter to purchase the accessories by lien of the L/C. There are four parties in back to back L/C or local L/C:



Source: Annual Report of ABL-2015

Figure 4: Parties of Back to Back L/C or Local L/C

The diagram says that the applicant gives order to purchase accessories to the beneficiary through Agrani Bank, and ABL opens the L/C and sends it to the beneficiary's negotiating bank. After receiving the raw materials, applicant makes payment to the negotiate bank through opening bank. The beneficiary receives the payment from the negotiate bank. The total process of Back to Back L/C from opening to purchasing is given below:



Source: Annual Report of ABL-2015

Figure 5: Total Process of Back to Back L/C from opening to purchasing

Here the total process of back to back L/C from opening to purchasing is started with L/C come from the beneficiary. Next process is the advice the L/C Purchase for opening to purchasing with relevant document. Then the person got forwarding the L/C to ensure the acceptance of goods.

# **C** **HAPTER -SIX:**

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## **PERFORMANCE ANALYSIS OF AGRANI BANK LTD.**



## 6.1. Introduction

Agrani Bank Ltd. is among the largest commercial bank in Bangladesh. The aim of the bank is to actively participate in the socio-economic development of the nation by operating a commercially sound Banking system. It provides credit to deserving borrowers and at the same time, protects depositor's interest.

## 6.2. Business Performance Analysis

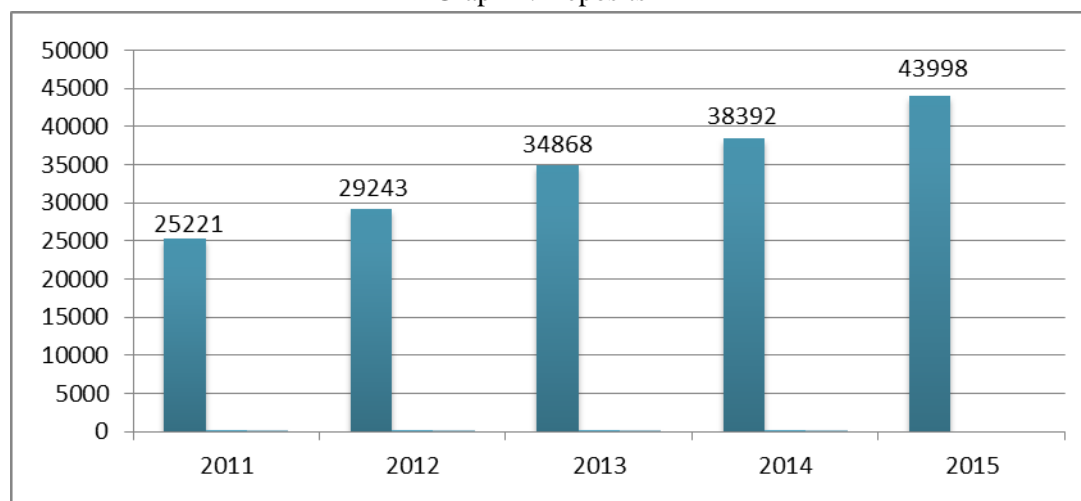
### 6.2.1. Deposits

Total deposit of the bank as on 31 December, 2015 is tk.43997.55 Core which shows an increase of tk. 38392.2 core over that of the previous year. The rate increase in deposit was 14.60%. Total deposit comprises demand deposit tk. 12974.6 crores and time deposit tk. 21893 core. The types of deposits are presented in the following table:

Table 4: Deposits

Year	2011	2012	2013	2014	2015
Deposits	25221	29243	34868	38392	43998

Graph 1: Deposits



Here total deposits are increasing from year to year. So I can say that overall function of deposit collection is better. In the prevailing situation, mobilization of deposits became highly competitive and hence cost of fund would increase compared to the previous year.

## 6.2.2. Import Business

For the very beginning the bank has embarked on extensive foreign exchange business with a view to facilitating international trade transactions of the country. The bank has BDT 10917crores import financing as of December 31, 2015 which is 3.55% of national figure. Here from 2011 to 2015, the amount of it is decreasing. Import mainly confined to consumer goods, capital machineries and industrial raw materials.

Table 5: Imports

Year	Amount of Import (BDT in crore)
2011	26877
2012	16963
2013	15947
2014	15741
2015	10917

Graph 2: Import Business



Here the amount of import was increased from 2011. By 2012 to 2014 the next four years were lower due to some unavoidable reasons. Foreign exchange can perform better, if import would make in greater.

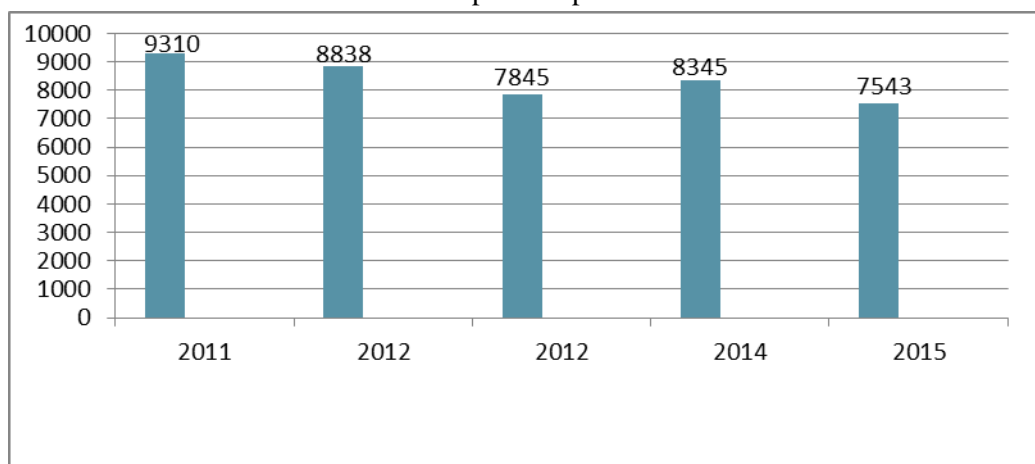
### 6.2.3. Export Business

The total export business handled by the bank amounted to tk. 7543 crores as of December 31, 2015 which is 2.97% of national figure. From 2012 to 2014, export is decreasing than others previous years. Major export items were readymade garments, shrimps, tea & non-traditional items.

Table 6: Exports

Year	Amount of Export (core in BDT.)
2011	9310
2012	8838
2013	7845
2014	8345
2015	7543

Graph 3: Exports



Here the condition of export is same to import business. So both export and import are flowing in the same trend. The above graph shows the similar performance in that business. Export business is more important to sustain better foreign exchange performance.

### 6.2.4. Foreign Remittance

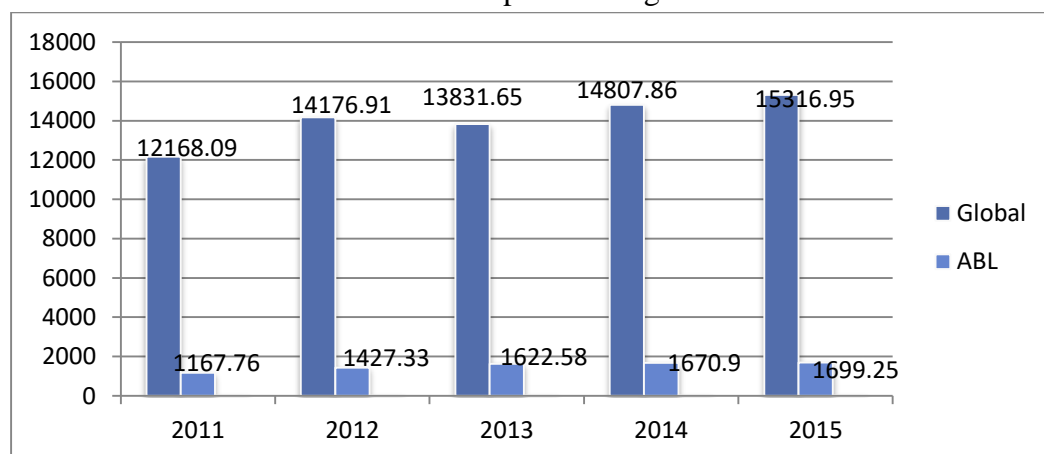
ABL has achieved positive growth in remittance business though remittance inflow in our country slowed down last year because of continuous recession in our world. They received foreign remittance for TK.13,204 crores in the year 2015 with a growth rate of 11% percent out of TK. 12,980 crores of year 2014. Like year 2014, also in 2015 Agrani Bank Limited has been secured as the first among the State Owned Commercial Banks and stood second among the banks of

Bangladesh. Our contribution to the national figure of remittance business is 11% percent for the year ended on 31 December 2015 and it is the highest in the last five years of ABL. ABL's easy but instant online remittance distribution system has enabled to achieve this development in this portfolio. Agrani bank contribution in perspective of global achievement in foreign remittance sector is given below:

Table7: Global Foreign Remittance of ABL.

Year	Global	ABL	Change in Percentage
2011	12168.09	1167.33	9.60
2012	14176.91	1427.33	10.07
2013	13831.65	1622.58	11.73
2014	14807.86	1670.90	11.28
2015	15316.95	1699.25	11.09

Graph 4: Foreign Remittances



Foreign remittance was increasing year to year due to better performance of foreign corresponds. In the global perspective, it positioned better based on last five years performances.

### 6.2.5. Investment

The bank has always given emphasis on high yielding investments and maintains Statutory Liquidity Requirement (SLR) as fixed by Bangladesh Bank. The investment may be Govt. securities or Non-govt. securities. The investment portfolio of the bank at the end of the year 2015 stood at Tk.20569.75crores as against Tk.15227.98 crores in the previous year, registering a growth of 35.08

percent. The portfolio of investment of the bank as on 31 December 2015 is shown below:

Table 8: Types of Investment

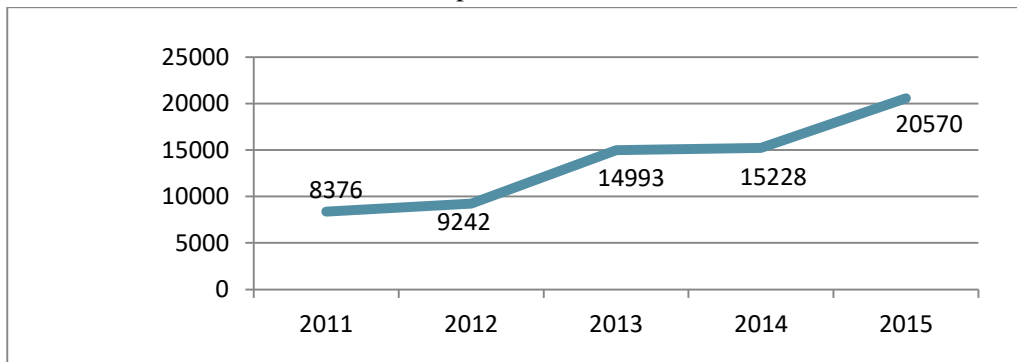
Types of securities		Year	
		2015	2014
Government securities	Treasury Bills	8408.79 3	3658.13
	Treasury Bonds	8,570.48	8,892.72
	Reserve REPO	1,118.53	406.13
	Prize Bonds	1.60	1.41
	Sub-Total(A)	18,099.40	12,958.39
Non-government securities	Other Bonds	470.73	240.80
	Debentures	-	9.00
	Shares	1,999.62	2,019.79
	Sub-Total(B)	2,470.35	2,269.59
<b>Total</b>	<b>Total{A+B}</b>	<b>20,569.75</b>	<b>15,227.98</b>

Here both govt. and non-govt. securities were increasing from one year to another year. The more investment can show better contribution in SLR.

Table 9: Investment

Year	Amount of Investment (in crores)
2011	8376
2012	9242
2013	14993
2014	15,228
2015	20,570

Graph 5: Investment



The previous five years of investment shows the upward sloping and this investment do better business performance. So the overall portfolio of investment can do the most performance.

### 6.3. Financial Performance Analysis

#### 6.3.1. Operating Income

The operating income of the bank stood to tk. 4286 crores as on December, 2015. The operating income of the bank is increasing from year to year compared to previous five years. In 2014, total operating income was 4170crores. Net operating income involves in total operating income.

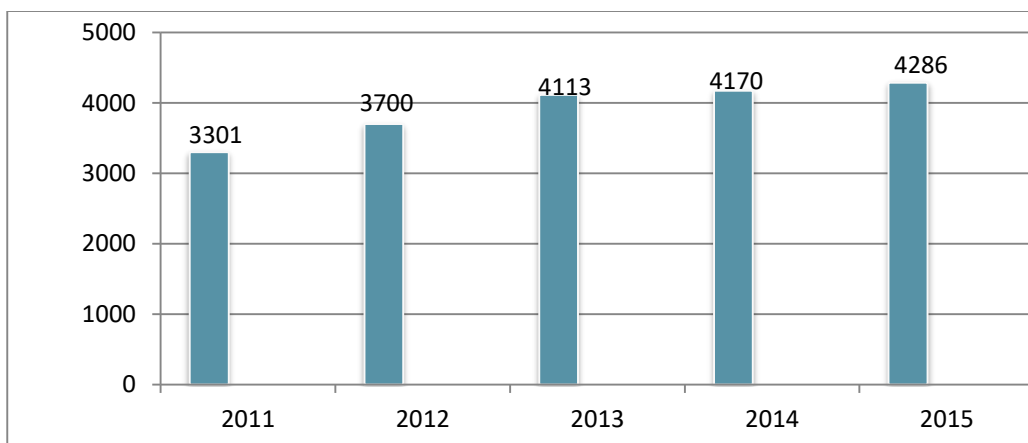
Table 10: Operating Income

(Taka in crores)

Year	2011	2012	2013	2014	2015
<b>Operating Income</b>	3301	3700	4113	4170	4286

Here operating income is growing every year. A graph on operating income is presented at below-

Graph 6: Operating Income



From the above graph depicts that total operating income is increasing in every year. This increasing situation continues in line with operating profit. So this result would assist to increase the net operating profit of ABL.

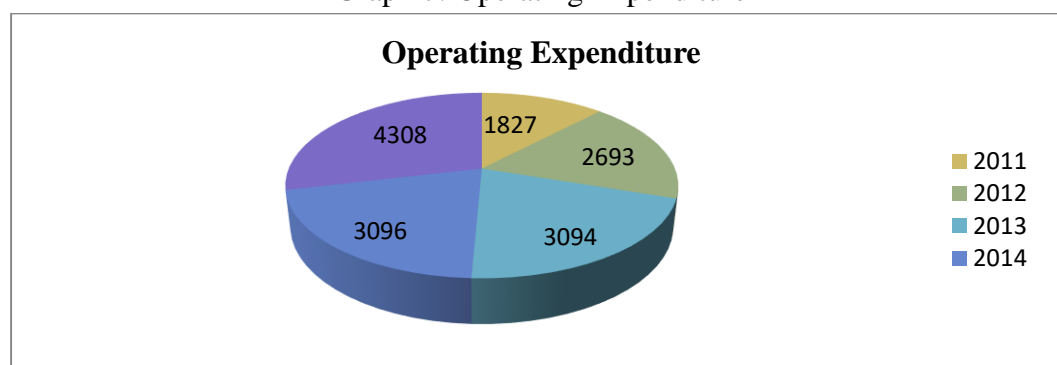
### 6.3.2. Operating Expenditure

An expenditure that a business incurs as a result of normal business operations; a challenge faced by a company's management is to determine how much operating expenses can be reduced without significantly affecting the firm's ability to compete with its competitors. The operating expenditure of the bank stood at tk. 4308crores in 2015 as against tk. 3096crores in 2014. It indicates an increase of 39.15 % over the last year. This expenditure can rise due to increasing staff payment in line with the govt. policy and new recruitment of officers.

**Table 11: Operating Expenditure**

Year	Operating Expenditure
2011	1827
2012	2693
2013	3049
2014	3096
2015	4308

Graph 7: Operating Expenditure



From the above graph depicts that total operating expenditure is increasing in every year. This increasing situation continues in line with operating income. So this result would assist to increase the operating profit of ABL.

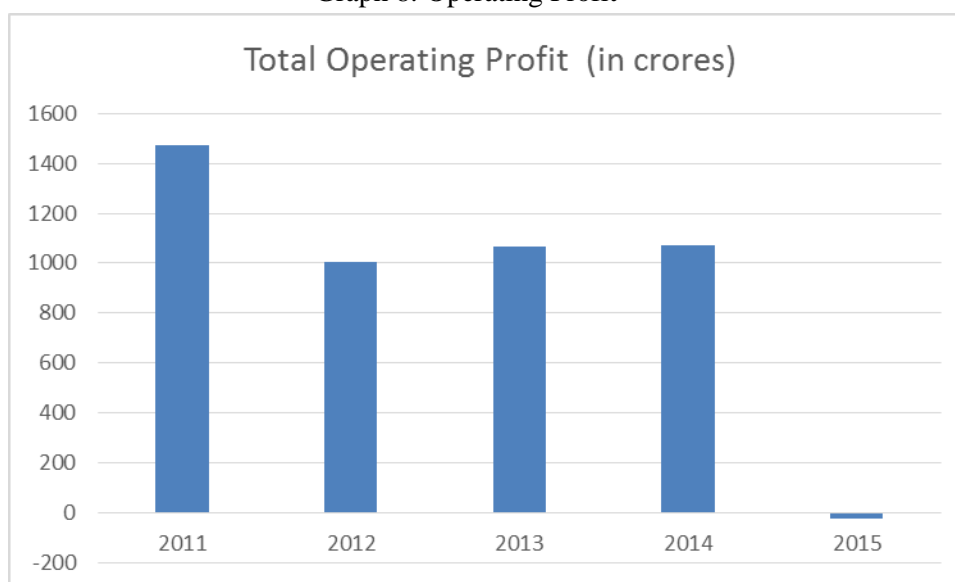
### 6.2.3. Operating Profit

The bank's total operating profit before amortization, provision and tax stood at Tk. 878crores in 2015. The operating profit was increasing from 2011 to 2014, but it decreased more in 2015 and somewhat it decline in 2015 comparing with four year.

Table 12: Total Operating Profits

Year	Total Operating Profit (in crores)
2011	1474
2012	1007
2013	1064
2014	1074
2015	-22

Graph 8: Operating Profit



Here total operating profit was high in 2011, but other four years were opposite situation due to unavoidable reason. In 2012, net profit after tax was in negative and next year net profit turned into positive somewhat.

### 6.4. Impact on Global Economy of Foreign Exchange Performance

Economy of Bangladesh is in the group of world's most underdeveloped economies. One of the reasons may be its underdeveloped banking system. Government as well as different international organizations have also identified that underdeveloped banking system causes some obstacles to the process of economic development. Foreign exchange identifies the process of converting domestic currency into international banknotes at particular exchange rates. These



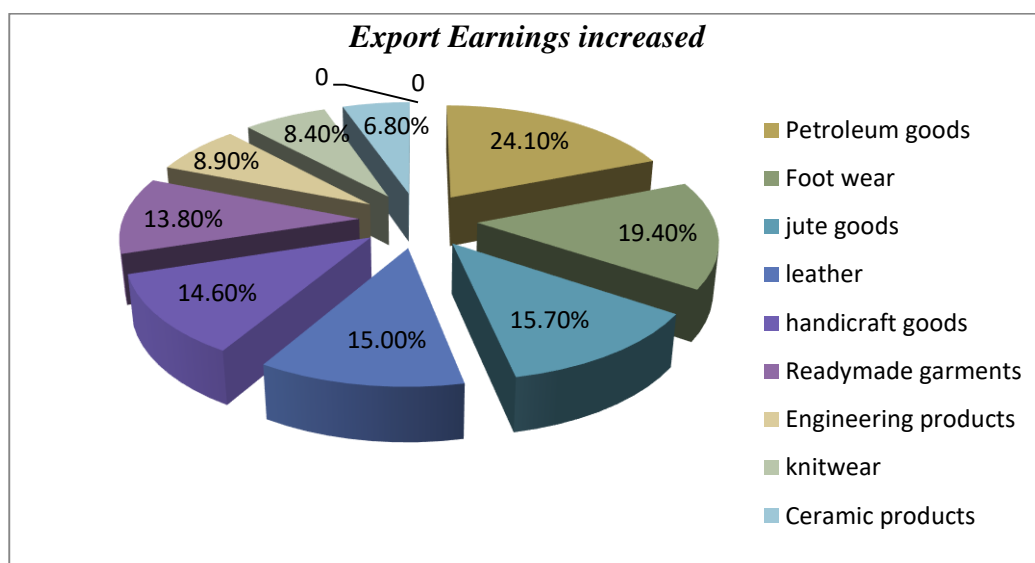
transactions present distinct ramifications for the global economy. Foreign exchange rates affect international trade, capital flows and political sentiment. The export position of Bangladesh has reached in a very strong position during 2010-11 where export growth increased by 41.47 percent as compared to the previous year. The export earnings of Bangladesh stood at USD 19,704 million which was 10.20 percent higher than the export earnings in 2011. Significant contributions of knitwear and readymade garments were still continuing to increase the export earnings of Bangladesh.

Table 13: Sector earnings of export

Sectors	Export Earnings increased	Sectors	Export Earnings Decreased
Petroleum Goods	24.10 %	Tea	42.70 %
Foot wear	19.40 %	Frozen foods	16.20 %
jute Goods	15.70 %	Chemical goods	14.60 %
leather	15.00 %	Raw jute goods	13.40 %
Handicraft Goods	14.60 %	Agriculture goods	11.10 %
Readymade Garments	13.80 %		
Engineering Products	8.90 %		
knitwear	8.40 %		
Ceramic Products	6.80 %		

As per country wise export observation, USA is the main export product market of Bangladesh and USA sustained the top position among the importing goods of Bangladesh during the FY 2012-13. During this period, Bangladesh exported US\$ 3,952.74 million in USA, which was 20.06 percent of total export. After USA, European Union kept the second position in exporting goods of Bangladesh, they are: Germany (14.75 percent), UK (10.42 percent) and France (5.37 percent).

Graph 9: Export earnings sectors



Source: annual report, 2013

The total import payment stood at US\$ 26,944.50 million by increasing 11.22 percent during FY2011-12. Import growth slowed down recently as import of unimportant goods was discouraged.

Table 14: Total Imported Goods

Countries	Percent out of Total Imported Goods
China	18.98 %
India	13.85 %
Malaysia	6.15 %

Source: annual report,2013

Country wise import goods analysis shows that, China stands at first position in terms of import goods. 18.98 percent out of total import has been imported from China. Second and third positions are India 13.85 percent and Malaysia 6.15 percent respectively. Analyzing the category of imported goods, it is observed that, import payment of capital machinery, industrial raw materials decreased by 38.75 percent, 35.52 percent respectively and the major import payment of consumer goods decreased by 36.27 percent.

The remittances played a vital role in expediting economic development of the country including reducing unemployment problem, poverty alleviation, boosting up the foreign currency reserve. The lion share of the foreign remittance comes from the countries of Middle East. In this regard, Saudi Arabia has been in top position for the last couple of years. Yet, recently, the inflow of remittance has

increased from Malaysia, Singapore, UK, and some other countries. To explore new manpower export markets, the government has undertaken several steps through diplomatic initiatives alongside establishing new labor wings in several countries. There is also an attempt to impart training on various trades to create skilled labor force to meet the demand of labor markets abroad.

The amount of remittances by the Bangladeshi expatriates in FY 2010-11 was 10.55 percent to the total GDP and 50.64 percent of total export earnings which was increased by 11.11 percent of total GDP and 52.92 percent of total export earnings. The amount of remittances received by Bangladesh in FY2012-13 was 9.50 percent of total GDP.

# **C HAPTER-SEVEN:**

## **STATISTICAL ANALYSIS OF FOREIGN EXCHANGE BUSINESS**

## 7.1. Correlation Coefficient

A correlation coefficient is a statistical measure of co-variation between two variables. Covariance is the extent to which a change in one variable corresponds systematically to a change in another. No correlation is indicated if  $r$  equals 0. A correlation coefficient indicates both the magnitude of the linear relationship and the direction of that relationship.

## 7.2. Coefficient of Determination

One use of the coefficient of determination is to test the goodness of fit of the model. It is expressed as a value between zero and one. A value of one indicates a perfect fit, and therefore, a very reliable model for future forecasts. A value of zero, on the other hand, would indicate that model fails to accurately model the dataset. If  $\bar{y}$  is the mean of the observed data:

$$\bar{Y} = 1/n \sum Y$$

In this form,  $R^2$  is expressed as the ratio of the explained variance to the total variance.

$R^2 = \text{Explained Variance} / \text{Total Variance}$ .

Correlation Analysis of amount of foreign exchange business with net profit:

Table 15: Correlation Analyse

(Tk. in crores)

Year	Net profit, $x_i$	Amount of foreign exchange business, $Y_i$	$(x_i - \bar{x})$	$(x_i - \bar{x})^2$	$(y_i - \bar{y})$	$(y_i - \bar{y})^2$	$(x_i - \bar{x})(y_i - \bar{y})$
2011	250	44869	338.6	114650	7363	54213769	2493111.8
2012	-1862	37482	-1773.4	3145035.6	-24	576	44472
2013	905	36449	994	988036	-1057	1117249	-1050658
2014	199	37066	287.6	82714	-440	193600	-126544
2015	65	31664	154	23716	-5842	34128964	-899668
	$\Sigma X = -443$ $\bar{X} = 88.6$	$\Sigma Y = 187530$ $\bar{Y} = 37506$	$= 0.8$	$\Sigma(x_i - \bar{x})^2 = 4642725$		$\Sigma(y_i - \bar{y})^2 = 89654158$	<b>Total = (460713.8)</b>

The formula of coefficient of determination that is:

$$r = \frac{n \sum xy - (\sum x)(\sum y)}{\sqrt{n(\sum x^2) - (\sum x)^2} \sqrt{n(\sum y^2) - (\sum y)^2}}$$

Where, n is the number of observations used to fit the model,  $\Sigma$  is the summation symbol,  $x_i$  is the x value for observation i,  $\bar{x}$  is the mean x value,  $y_i$  is the y value for observation i,  $\bar{y}$  is the mean y value.

$$\begin{aligned} &= (460713.8) / (20401950.91) \\ &= 0.0225815 \\ &= (0.023) \end{aligned}$$

Hence, coefficient correlation is (.1117). Then, Coefficient of determination would be  $r^2$ .

$$\begin{aligned} R^2 &= (0.023)^2 \\ &= .000529 \end{aligned}$$

### **Interpretation:**

The coefficient of determination measures that part of the total variance of Y that is accounted for by knowing the value of X. In this calculation about total net profit and foreign exchange business of Agrani Bank Ltd., r is (.023); therefore,  $R^2$  is .0005. About 0.05 % of the variance in net profit can be explained by the variance in foreign exchange business and vice-versa.

### **6.3. Regression Analysis**

Regression analysis is a statistical process for estimating the relationships among variables. It includes many techniques for modeling and analyzing several variables, when the focus is on the relationship between a dependent variable and one or more independent variables. More specifically, regression analysis helps one understand how the typical value of the dependent variable changes when any one of the independent variables is varied, while the other independent variables are held fixed. In regression analysis, it is also of interest to characterize the variation of the dependent variable around the regression function which can be described by a probability distribution.

### **7.4. Regression Equation**

Simple regression investigates a straight line relationship of the type.

$$Y = \alpha + \beta x$$

Where,

Y = continuous dependent variable.

X = an independent variable

$\alpha$  and  $\beta$  = Two parameters that must be estimated so that the equation best represents  $\alpha$  given set of data.

Now calculating the sample standard deviation of net profit (x).

$$\begin{aligned} S_x &= \sqrt{(\Sigma(x_i - \bar{x})^2)/(n - 1)} \\ &= \sqrt{(4642725/5 - 1)} \\ &= 1077.35 \text{ (tk. in crores)} \end{aligned}$$

Standard deviation of net profit ( $S_x$ ) is 1077.35 crores.

Now, calculating the sample standard deviation of foreign exchange business:

$$\begin{aligned} S_y &= \sqrt{(\Sigma(y_i - \bar{y})^2)/(n - 1)} \\ &= \sqrt{(89654158/5 - 1)} \\ &= 4734.30 \text{ (tk. in crores)} \end{aligned}$$

Standard deviation of foreign exchange business ( $S_y$ ) is 4734.30 0127 crores.

Slope of the regression line:  $b = r \frac{S_x}{S_y}$

Where,

r = coefficient correlation.

$S_y$  = Standard deviation of Y (Dependent variable).

$S_x$  = Standard deviation of X (Independent variable).

Now the slope of regression line is that:

$$\begin{aligned} b &= r \frac{S_x}{S_y} \\ &= (0.023) \left( \frac{1077.35}{4734.30} \right) \\ &= .00529 \end{aligned}$$

Next to find out the value of  $\hat{y}$ . To do this, I use the value for  $\beta$  that I just calculated as well as the means for the amount of foreign exchange business and the value of net profit.

$$\begin{aligned} \alpha &= \hat{Y} - bX \\ &= 37506 - (0.00529 \times -88.6) \\ &= 37506 + .47 \\ &= 37506.47 \text{ crores} \end{aligned}$$

$$\begin{aligned} \text{Now, } \hat{Y} &= \alpha + bX \\ &= 37506.47 + (0.00529) X \end{aligned}$$

Thus, the regression equation is  $\hat{Y} = 37506.50 + .00529X$ .

Where,

$\hat{Y}$  = estimated value of Y variable for a selected X value.

$\alpha$  = Y intercept

b = Slope of the line

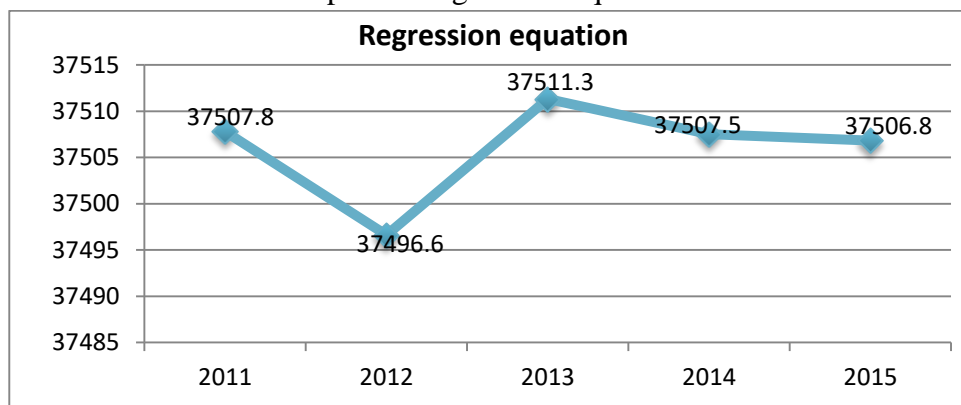
X= any value of the independent variable that is selected.  
 Calculation on regression equation

Table 16: Regression Equations

(Tk. in crores)

Year	$\hat{Y} = \alpha + bX$	Value of net Profit, X	Result of regression Equation
2011	37506.47+.00529X	250	37507.8
2012	37506.47+.00529X	-1862	37496.6
2013	37506.47+.00529X	905	37511.3
2014	37506.47+.00529X	199	37507.5
2015	37506.47+.00529X	65	37506.8

Graph 10: Regression Equations



From this graph depicts that the slope of regression equation in year 2013 is 37512crores. It is said that this value of slope is the highest among these. Others are close to one another. It shows upward sloping in regression equation.

Calculation on sum of estimating deviation

Table 17: Calculation on sum of estimating deviation

(Tk. in crores)

Year	NetProfit, $x_i$	Amount of forexbusiness, $Y_i$	$\hat{Y}$	$(Y_i - \hat{Y})$	$(Y_i - \hat{Y})^2$
2011	250	44869	37507.8	7361.2	54187265.44
2012	-1862	37482	37496.6	-14.6	213.16
2013	905	36449	37511.3	-1062.3	1128481.29
2014	199	37066	37507.5	-441.5	194922.25
2015	65	31664	37506.8	-5842.8	34138311.84



					$\Sigma(Y_i - \hat{Y})^2$ $= 89649193.98$
--	--	--	--	--	--

The standard error of estimate is **11,620 cores**.

$$\begin{aligned}
 S_{y \cdot x} &= \sqrt{\frac{\Sigma(Y_i - \hat{Y})^2}{n - 2}} \\
 &= \sqrt{89649193.98 / (5 - 2)} \\
 &= \sqrt{29883064.66} \\
 &= 5466.54 \text{ (Tk. in)}
 \end{aligned}$$

The general equation for any straight line can be represented as  $Y = b_0 + b_1X$ . If I think of this as the true hypothetical line that I try to estimate with sample observations, the regression equation will represent this with a slightly different equation:

$$Y_i = b_0 + b_1X + e_i$$

The equation means that the predicted value for any value of X ( $X_i$ ) is determined as a function of the estimated slope coefficient plus the estimated intercept coefficient plus some error.

The raw parameter estimates can be found using the following formulas:

$$b_1 = \frac{n(\Sigma X_i Y_i) - (\Sigma X_i)(\Sigma Y_i)}{n(\Sigma X_i^2) - (\Sigma X_i)^2}$$

$$\text{And } b_0 = \bar{Y} - b_1 \bar{X}$$

Where,

$Y_i$  = ith observed value of the dependent variable.

$X_i$  = ith observed value of the independent variable.

X = independent variable.

$\bar{X}$  = mean of the independent variable

$b_1$  = slope estimate.

n = no. of observation.

$b_0$  = intercept estimate.

In fact, the standardized regression coefficient from a simple regression equals the Pearson correlation coefficient for two variables. Once the estimates are obtained, a predicted value for the dependent variable can be found for any value of  $X_i$  with this equation:  $\hat{Y} = b_0 + b_1X_i$

Least-squares computation based on foreign exchange business with net profit:  
(Tk. in crores)

Year	Y	Y <sup>2</sup>	X	X <sup>2</sup>	XY
2011	44869	2013227161	250	62500	11217250
2012	37482	1404900324	-1862	3467044	-69791484
2013	36449	1328529601	905	819025	32986345
2014	37066	1373888356	199	39601	7376134
2015	31664	1002608896	65	4225	2058160
	<b>ΣY=</b> <b>187530</b> <b><math>\bar{Y}=37506</math></b>	<b>ΣY<sup>2</sup></b> <b>=</b> <b>7123154338</b>	<b>ΣX=</b> <b>- 443</b> <b>X= -88.6</b>	<b>ΣX<sup>2</sup> =439</b> <b>2395</b>	<b>Σ XY =-16153595</b>

Table 18: Least-squares computation

Here, X = Net Profit and Y= Amount of foreign exchange business.

I know that,

$$b_1 = \frac{n(\sum X_i Y_i) - (\sum X_i)(\sum Y_i)}{n(\sum X_i^2) - (\sum X_i)^2}$$

$$b_1 = \frac{5(-16153595) - (-83075790)}{5(4392395) - (-443)^2}$$

$$= \frac{2307815}{5(4392395) - 196249}$$

$$= \frac{2307815}{21961975 - 196249}$$

$$= \frac{2307815}{21765726}$$

$$= 0.106029773$$

$$= 0.11$$

Hence,  $b_0 = \bar{Y} - b_1 \bar{X}$

$$= 37506 - (0.11)(-88.6)$$

$$= 37506 + 9.394237941$$

$$= 37515.39424$$

$$= 37515$$

The formula  $\hat{Y} = b_0 + b_1 X_i$  is  $\hat{Y} = 37515 + 0.11 X_i$  that is the regression equation used for the prediction of the dependent variable. I suppose that Agrani Bank is considering performance of foreign exchange business where the net profit were increasing in 2009, 2010, 2011 and 2013, but it was lower in 2012.

Calculation on all year regression equation

Table 19: Calculation on all year regression equation

Year	$\hat{Y} = b_0 + b_i X_i$	Value of net Profit, X	Result of regression Equation
2011	$37515 + 0.11X_i$	250	37542.5
2012	$37515 + 0.11X_i$	-1862	37310.18
2013	$37515 + 0.11X_i$	905	37619.5
2014	$37515 + 0.11X_i$	199	37536.86
2015	$37515 + 0.11X_i$	65	37522.15

From this graph depicts that if net profit increases, the regression equation must high. Regression models are evaluated based on how much variance they explain. Through using the regression equation, I have already found out the actual performance activities of different years of ABL.

# **C** **HAPTER-EIGHT:**

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## **SURVEY ANALYSIS OF SHEWRAPARA BRANCH, AGRANI BANK**

## 8.1. INTRODUCTION

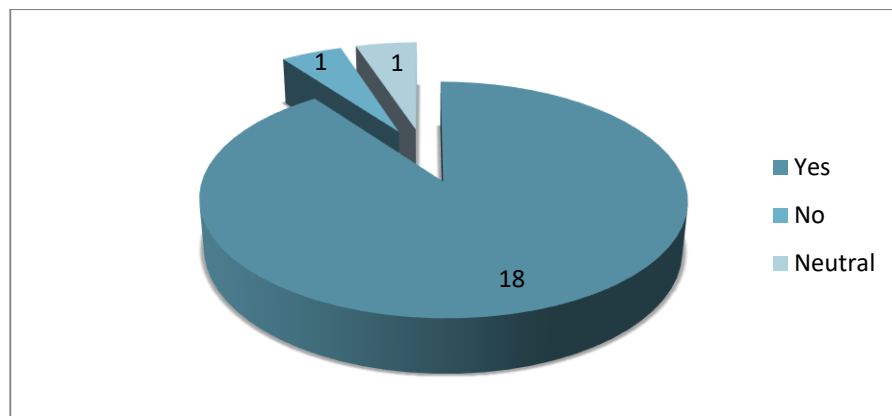
For the purpose of conducting the report, 20 employees and 25 customers have been surveyed from Shewrapara branch of Agrani bank Ltd. The number of surveyed people has been selected randomly in order to make the result representative. All the findings and information have been presented graphically.

## 8.2. Survey Analysis of Employees

Employees are important people and they play vital role in the implementation of policy of any business organization. 20 employees have been selected and surveyed to find most reliable and relevant information regarding foreign exchange operations of ABL. They were asked several questions what they answered very sincerely according to their own opinion. The data and information collected through questionnaire are presented and explained graphically.

**Q.No.01: Do you think that ABL is top position of banking industries in Bangladesh for foreign exchange business?**

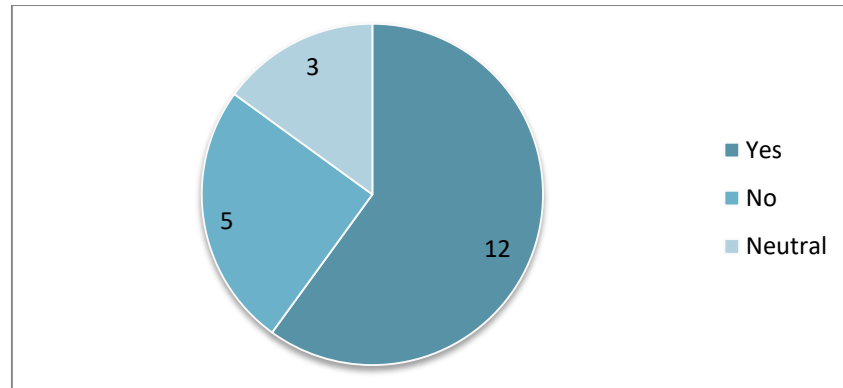
**Graph11: Shows survey report of question no. 01**



When the respondents (employees) were asked to tell whether ABL is the top position of banking industries in Bangladesh for foreign exchange business, out of 20 employees, 18 employees responded that they believe this; one employee remained neutral while one employee was against to this statement. So from the survey it may be concluded that about 90% of the respondent believes that ABL is the top position for foreign exchange business among banking industries in Bangladesh, while only 5% remained neutral and the other 5% employees responded against it. So from the survey, it can be concluded that ABL is the top position for foreign exchange business among banking industries in Bangladesh.

**Q.No.02: Do you think the performance of foreign exchange makes ABL more attractive to its employees and stakeholders?**

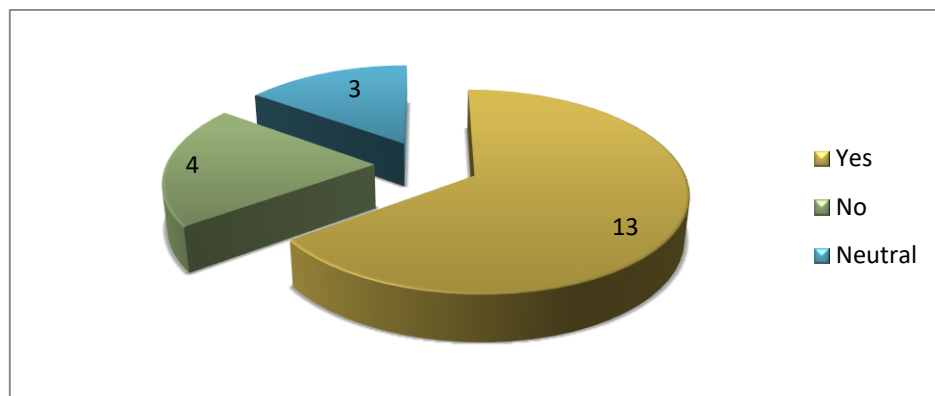
**Graph 12: Shows survey report of question no. 02**



When the respondents were asked to tell whether the performance of foreign exchange makes ABL more attractive to employees and stakeholders- out of 20 employees, 12 responded that they believe this, 5 employees were against with this statement while 3 employees were neutral with this statement. So from the survey, it may be concluded that about 60% of the respondents believe that the performance of foreign exchange makes ABL more attractive to employees and stakeholders, 15% respondents remained neutral while 25% believed that they don't believe this. So from the survey it may be concluded that on an average most of the employees believed that the performance of foreign exchange makes ABL more attractive to employees and stakeholders.

**Q. No. 03: Do you think that every bank should increase foreign exchange transactions?**

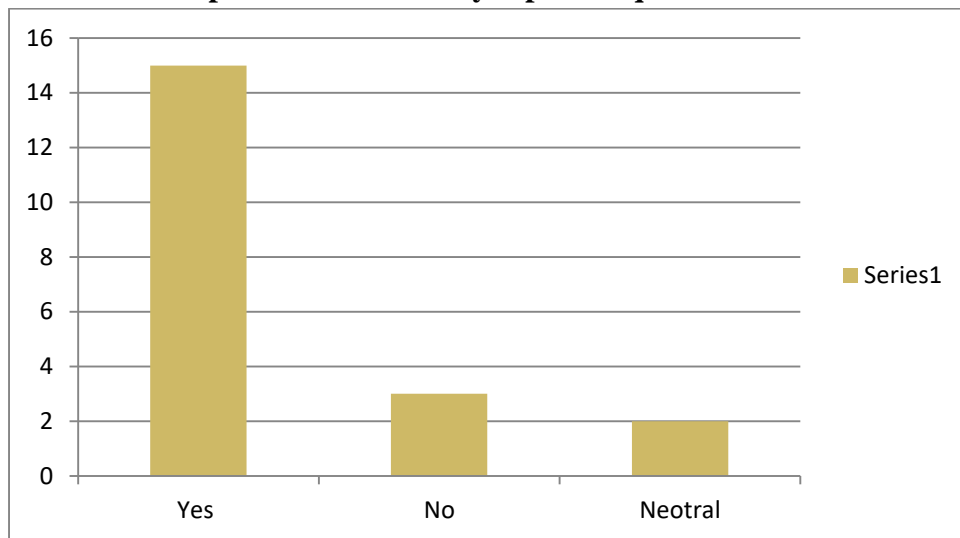
**Graph 13: Shows survey report of question no. 03**



When the respondents were asked to tell whether every bank should increase foreign exchange transactions- out of 20 respondents, 18 respondents responded that every bank should increase foreign exchange transactions while four employees responded that they don't believe this view, on the other hand another three employees were neutral with this view. So from this survey, it can be concluded that about 90% of the respondents believed that every bank should increase foreign exchange transactions while 5% of the employees were against and neutral with this statement respectively. This report shows that most of the employees are in favor of increasing foreign exchange transactions. The employees were pleased because ABL is much more concern in this respect.

**Q. No .04 “Foreign exchange is essential to sustain in the competitive business world”. Do you agree with this statement?**

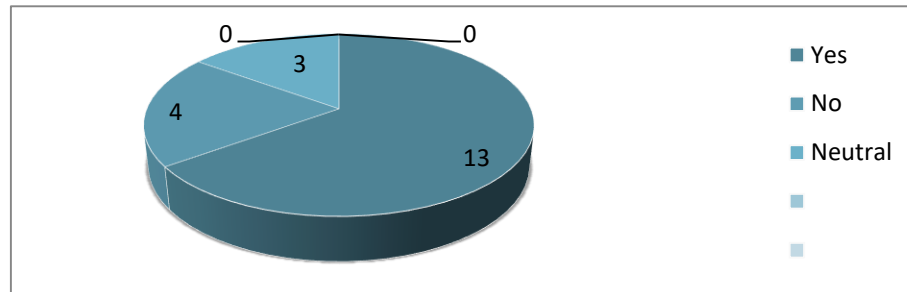
**Graph 14: Shows survey report of question no.04**



It was stated to employees that foreign exchange is essential to sustain in the competitive business world and they were asked to specify their opinion. Among 20 employees, 15 respondents agreed with the statement. Three of them disagreed with the statement that foreign exchange is essential to sustain the competitive business world. Two of them were neutral and they did not agree or disagree. If it is expressed in term of percentage, 20% employees of Agrani Bank strongly agree that foreign exchange is essential to sustain in the competitive business world and also 55% respondents agree with it. Approximately 15% employees disagree with the statement that foreign exchange is essential while no one strongly disagree.

**Q. No. 05: Does it really provide competitive advantage to your bank?**

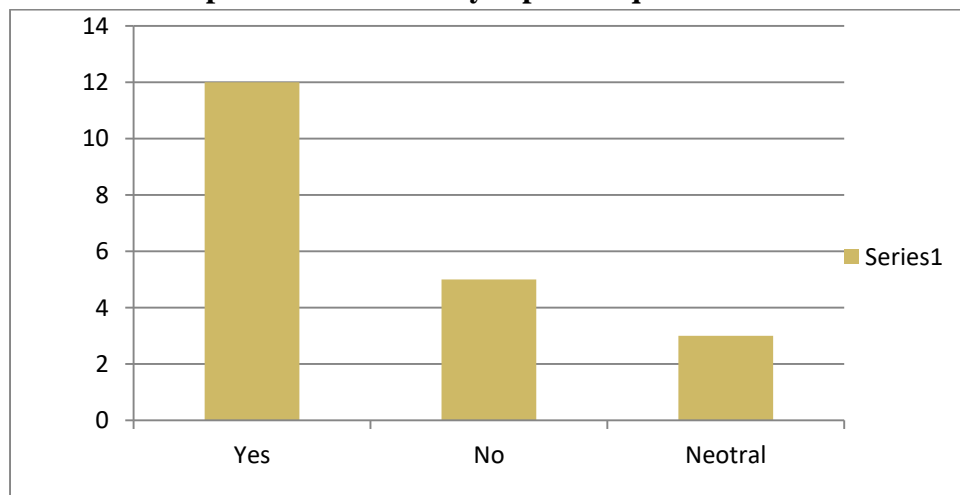
**Graph 15: Shows survey report of question no. 05**



When respondents were asked to reply that whether foreign exchange provides any competitive advantage over competitors, out of 20 respondents, 13 respondents said that it provides competitive advantage to ABL over competitors, another 4 employees said that it really cannot provide any competitive advantage and the other 3 of the 20 respondents were neutral in opinion. From this observation, we can say that approximately 65% of employees take foreign exchange policy with the intention of gaining competitive advantage while maintaining banking profitability at the same time. But 20% respondents claim that foreign exchange operations don't provide any competitive advantage. On the other hand, 15% of the respondents were neutral in their opinion. So from this observation, it can be concluded that on an average most of the employees of the ABL believe that foreign exchange really provides competitive advantage over competitors.

**Q. No. 06: "Stakeholders prefer the bank which emphasizes on foreign exchange performance". How much do you agree with this statement?**

**Graph 16: Shows survey report of question no. 06**

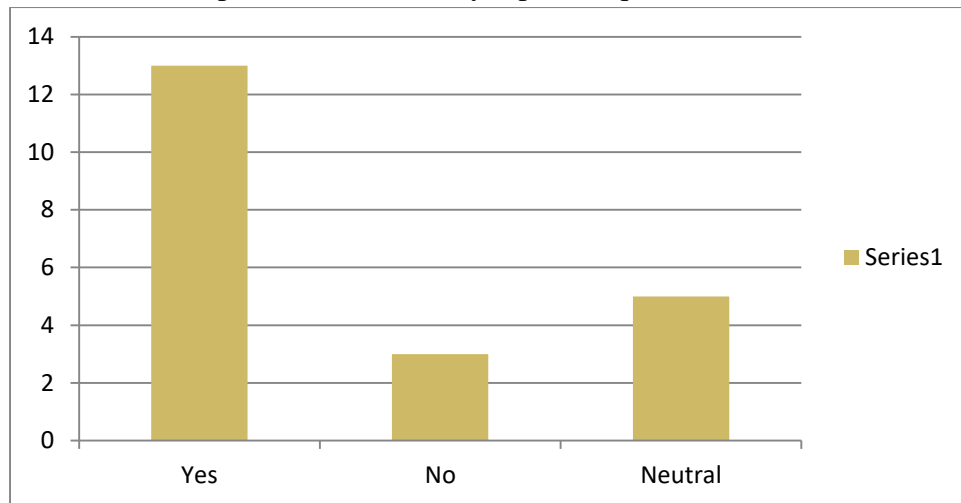




Employees' opinion was tried to find out through a statement that stakeholders prefer the bank which emphasizes on foreign exchange among selected 20 respondents, 12 respondents agreed with this statement. But 5 of those 20 employees disagreed with the statement while the other 3 employees were neutral in expressing any clear opinion. So from this observation, it can be stated that on an average 60% employees of ABL were agreed and strongly agreed and 25% employees were not agreed with the statement that stakeholders prefer the bank which emphasizes on foreign exchange performance. Actually most of the employees were in favor of the statement.

**Q.No.07: Every bank is ethically responsible in case of foreign transactions". What is your position regarding this statement?**

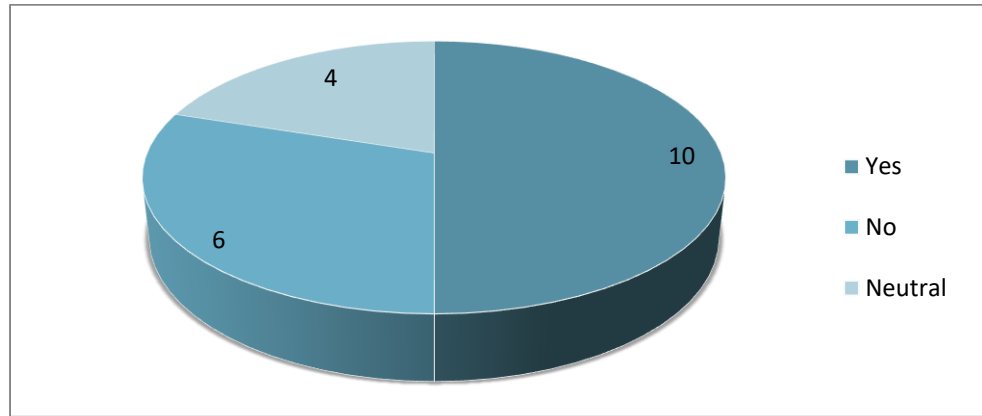
Graph 17: Shows survey report of question no. 07



It was stated to employees to specify their opinion that every bank is ethically responsible in case of foreign transactions. Among 20 employees, 13 respondents strongly agreed with the statement. Three of them disagreed with the statement that every bank is ethically responsible in case of foreign transactions. 5 of them were neutral and they did not agree or disagree respectively. If it is expressed in term of percentage about 65% employees of Agrani Bank agrees that every bank is ethically responsible in case of foreign transactions. On the other hand only 15% of the employees are disagreeing with this statement. So it can be concluded that on an average most of the employees are in favor of the fact that every bank is ethically responsible, So every bank should do something better in case of foreign transactions.

**Q.No.08: Do you think that foreign exchange affects overall bank's profitability?**

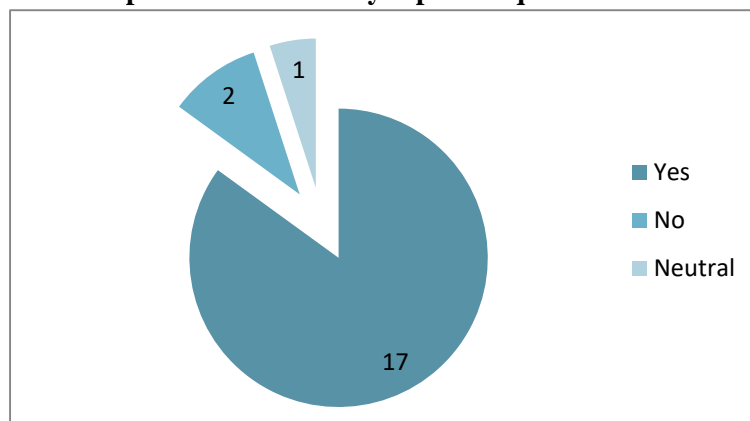
**Graph 18: Shows survey report of question no.08**



When respondents were asked to reply that whether foreign exchange affects overall banking profitability of the bank, out of 20 respondents, 10 respondents said that it actually affects overall banking profitability another 6 employees said that it really does not affect overall profitability of the bank and the other 4 of the 20 respondents were neutral in their opinion. From this observation, I can say that approximately 50% of employees take foreign exchange operation with the intention of affecting banking profitability. But 30% respondents claim that Foreign exchange doesn't affect overall profitability On the other hand, 20% of the respondents were neutral in their opinion. So from this observation, it can be concluded that on an average most of the employees of the ABL believe that foreign exchange operations affect overall banking profitability. But at the same time, they argued that although it affects banking profitability, the bank should do it for the sake of foreign finance benefit.

**Q.No.09: Do you think that foreign exchange acts as an effective profitable tool?**

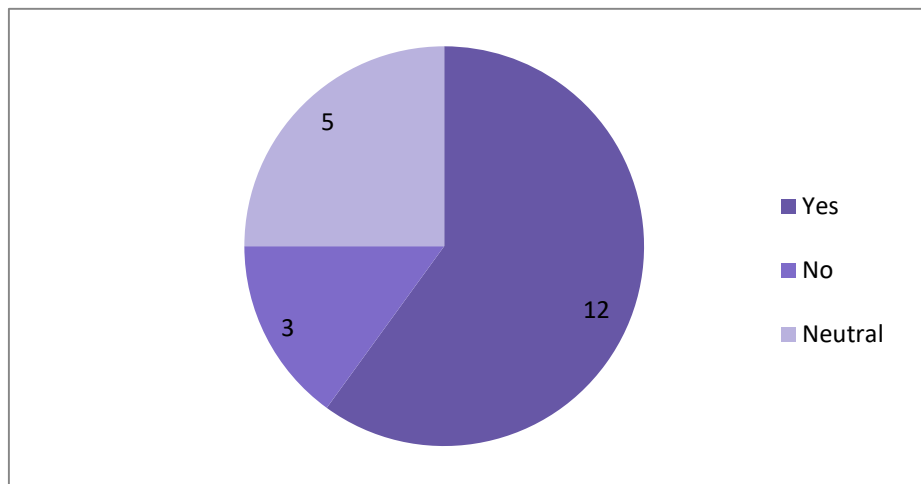
**Graph 19: Shows survey report of question no. 09**



From the survey when the employees were asked to tell their opinion about whether foreign exchange acts as an effective profitable tool. Most of the respondents responded in favor of foreign exchange. The survey says that out of 20 employees 17 employees responded that foreign exchange actually acts as an effective profitable tool, 2 employees out of 20 responded that foreign exchange is not a profitable tool while one person was neutral in his opinion. If these figures were translated into percentage term, it can be said that about 85% of the respondents regard as an effective profitable tool, 10% employees did not regard this as such while only 5% of the employees were neutral in expressing their opinion.

**Q. No.10: Do you think that foreign exchange affects employee on international relationship?**

**Graph 20: Shows survey report of question no.10**



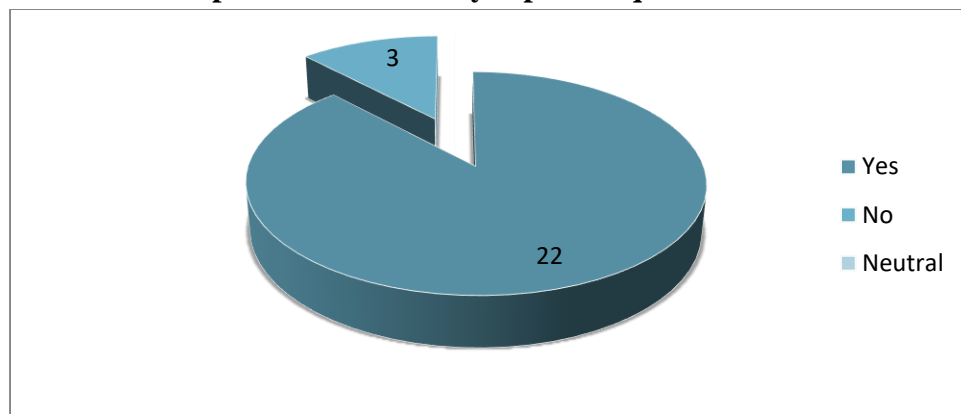
A more relevant question to employees was asked to specify their opinion. They were asked whether foreign exchange affects employee on international relationship or not. Conducting survey, it is found that out of 20, 12 employees said that foreign exchange affects employee on international relationship. Only 3 employees of them thought that foreign exchange does not affect on their international relationship and they disagreed with those who agreed. It is also found that a large number of employees were not clear themselves that whether they were affected or not by foreign exchange. Five respondents out of 20 were neutral in expressing their opinion. So it can be concluded that more than half of the employees thought that foreign exchange affects them and they consider it while making their relationship. So ABL should give emphasis on foreign exchange to retain these employees and attract new employees to be preferred employer.

### 8.3. Survey Analysis of Customer

Customers are important part and they play vital role in the implementation of foreign exchange operation of any business organization. 25 customers of ABL have been selected and surveyed to find most reliable and relevant information regarding foreign exchange performance of ABL. They were asked several questions that they answered very sincerely according to their own opinion. The data and information collected through questionnaire are presented and explained graphically in below:

#### Q. No. 01: Do you know about Foreign Exchange?

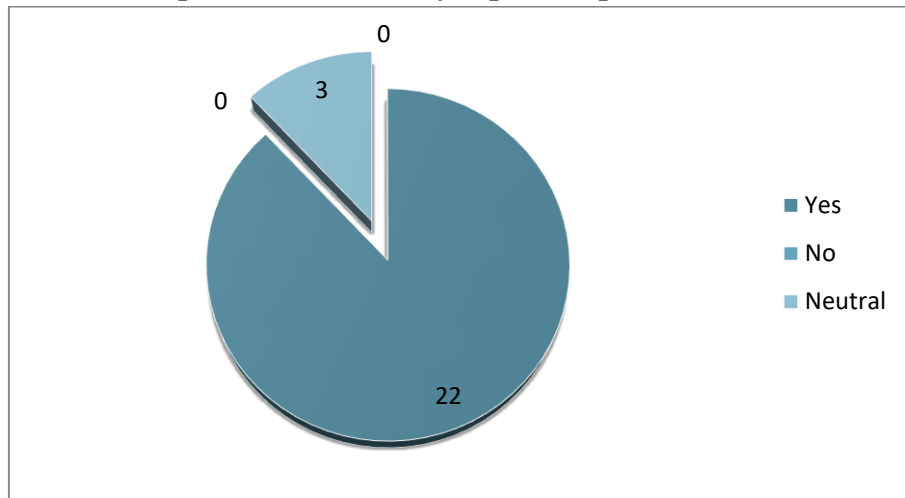
Graph 21: shows survey report of question no.01



When the customers were asked about their opinion whether they know about foreign exchange of ABL or not; out of 25 respondents 22 responded in the affirmative, 3 clients responded in the negative. So it can be seen from the above information that about 88% of the respondent knows about foreign exchange, while only 12% of the respondent didn't know about foreign exchange. Thus it can be concluded that most of the clients of ABL know about foreign exchange and its use of the corporate world as about 88% of the respondents responded positively. Only a little percentage of the clients has not clear idea about Foreign Exchange of ABL.

**Q.No.02: Do you think that every bank should perform foreign exchange?**

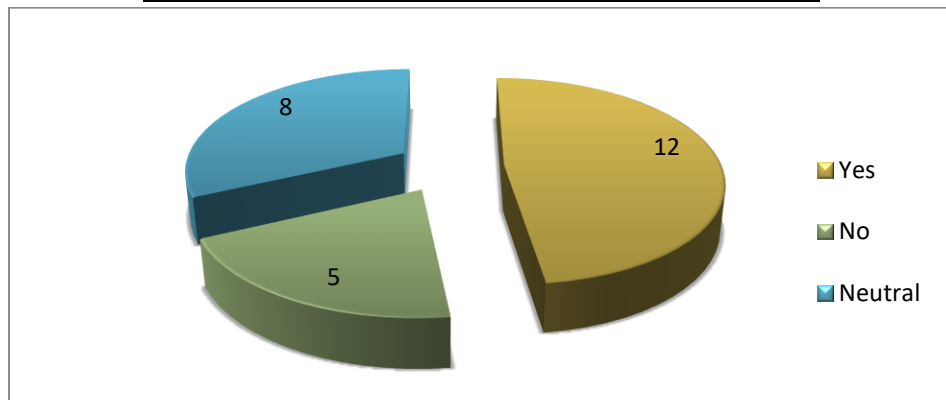
**Graph 22: shows survey report of question no: 02**



When the respondents were asked whether all of the organization should perform with foreign exchange or not; out of 25 respondents, 22 responded yes, 3 respondents did not provide their opinion and no one showed negative opinion about foreign exchange. So we can say that about 88% of the respondents think that all organization should perform foreign exchange as it is very important issues now a day and only 12% of the respondents do not comments on the issues. So it can be concluded on the basis of this information that as most of the respondents feels it necessary, so every bank should perform foreign exchange. If they don't perform foreign exchange, there is a great chance to lose potential and existing customer base.

**Q. No. 03: Do foreign exchange of ABL affect your choice about currency exchange?**

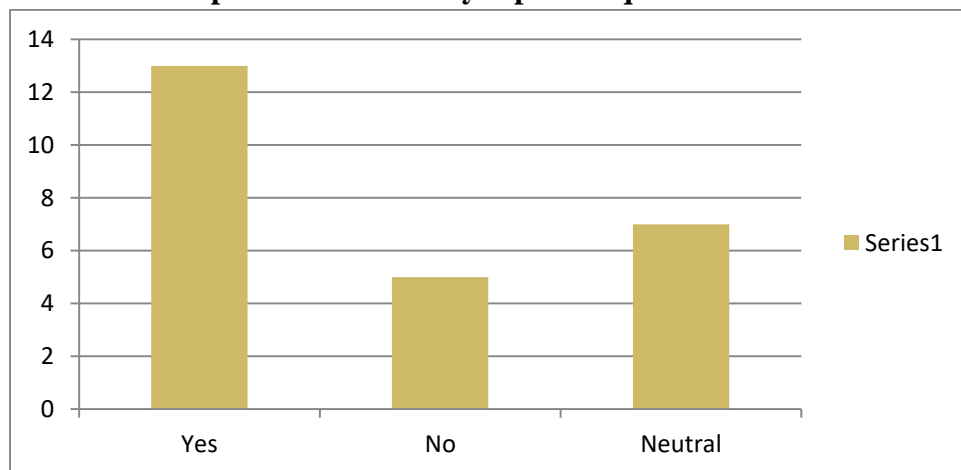
**Graph 23: shows survey report of question no: 03**



When the respondents were asked whether the foreign exchange of ABL affected their choice of selecting this bank, out of 25 respondents 12 people responded that foreign exchange of ABL affected their choice, 5 respondents responded that the performance of foreign exchange of ABL did not affect their choice selecting this bank. And the rest 8 of the respondents did not provide their opinion. From the above information, I can be concluded that 48% of the respondents were affected to select this bank by the foreign exchange, 20% of the respondents told that this policy did not affect their choice of selecting the bank and the rest of 32% of the respondent did not comment on their choice of selecting the bank. This information shows that the foreign exchange operation of ABL affected choosing the bank for their clients, but not affect tremendously as only 48% of the respondent were affected by this performance.

**Q. No. 04: Is foreign exchange of ABL satisfactory?**

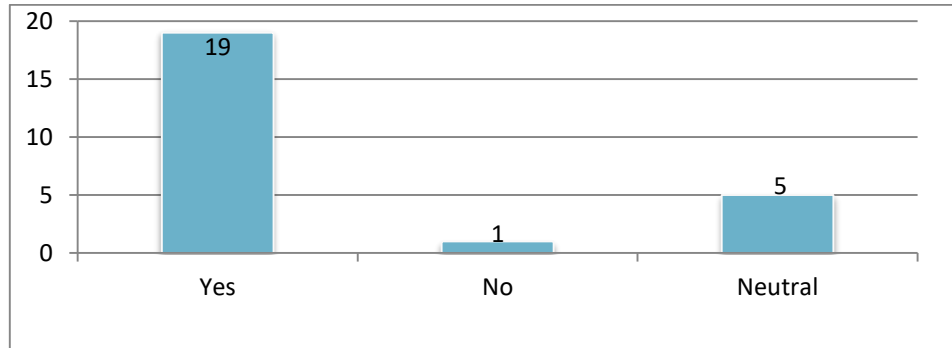
**Graph24: shows survey report of question no: 04**



When the respondents were asked about their opinion of foreign exchange in ABL. out of the 25 respondents, 16 respondents said that the current performance of foreign exchange of ABL is very good, 5 clients did not provide their opinion regarding these issues, 3 clients told that it was bad. From the above information, it can be concluded that 64% of the respondents are satisfied, 20% of the respondents are neutral about this policy, 16% of the respondents showed their dissatisfaction regarding the foreign exchange of the bank. So from the above information, it can be said that the most of the respondents showed their satisfaction of bank performance.

**Q. No.05: Do you think that foreign exchange performance of ABL should be increased?**

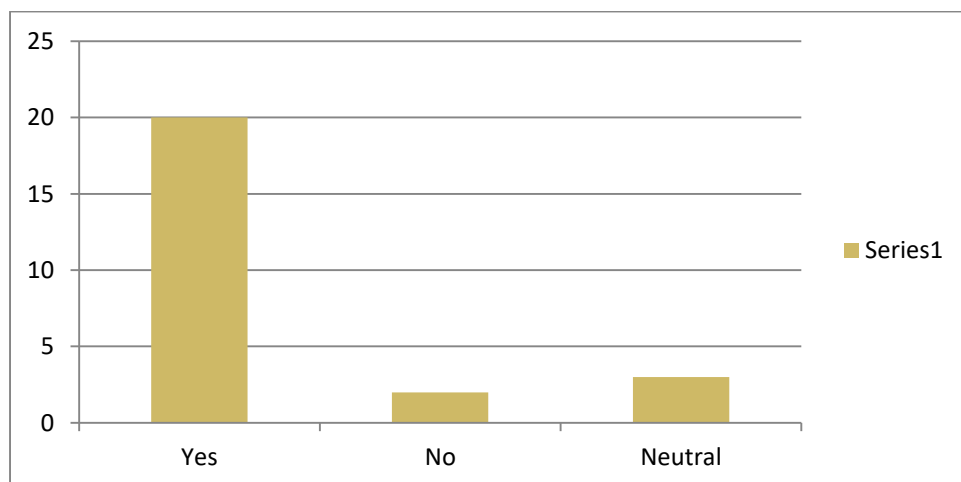
**Graph 25: shows survey report of question no: 05**



When the customers were asked whether the foreign exchange performance of ABL should increase or not; out of 25 respondents, 19 respondents responded that the bank should increase foreign exchange performance, 1 respondent responded that the bank should not increase its foreign exchange performance and the rest of the 5 persons did not provide any opinion on this matter. From the above given information, I can say that 76% of the respondents felt the necessity of increasing foreign exchange performance of ABL, 4% of the respondents did not feel the necessity and the rest 20% of the respondents were neutral about the matter. As the business world is getting more and more competitive and the most of the respondents feel its necessity, the bank should increase foreign exchange performance around throughout the country to make its customer more satisfied and more relative to the bank.

**Q. No. 06: Is Foreign exchange important to you?**

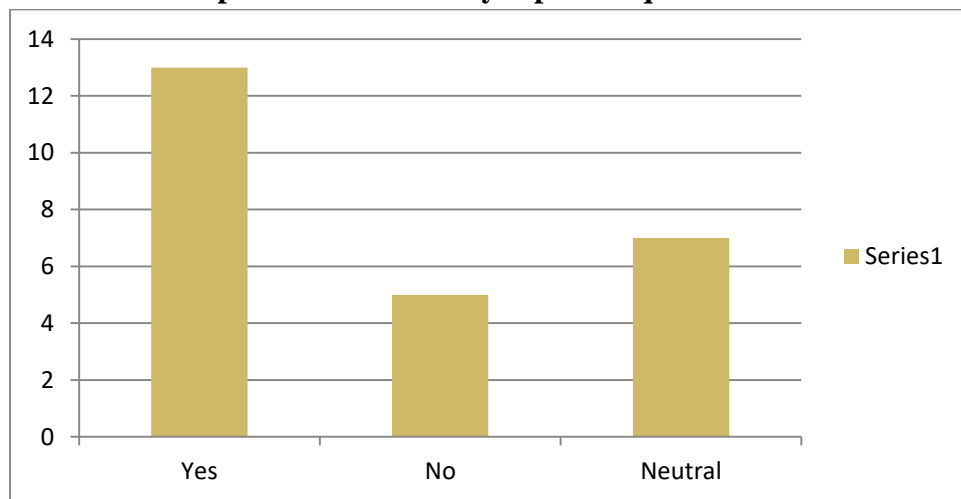
**Graph 26: shows survey report of question no: 06**



Again when the respondent were asked about their opinion relating to how much foreign exchange is essential to them; out of 25 respondents- 20 respondents told that it was important to them, 3 respondents did not give their opinion and the rest of the 2 respondents responded that was less important to them. From the above given information, I can conclude that foreign exchange operation is more important to about 12% of the respondents, is important to 80% of the respondents, is less important to 8% of the respondents. On the other hand, 12% of the respondents were neutral about giving their opinion. So it was found from the information that foreign exchange is very important to the most of the respondents.

**Q. No.07: Do you think that foreign exchange operation of Agrani Bank affects potential customers benefit?**

**Graph 27: Shows survey report of question no.7**



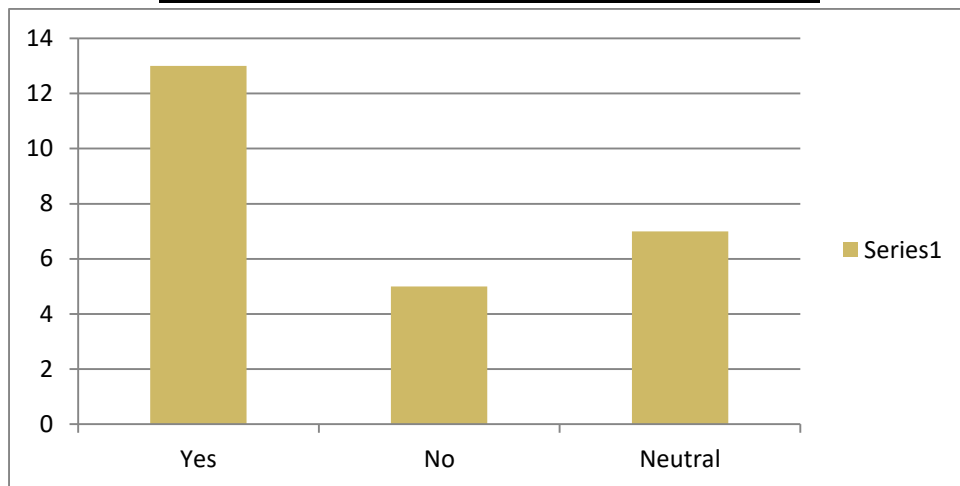
This is a very important question asked to the customers. Through this question, it was tried to find out that really foreign exchange operation of Agrani Bank affects on potential customer's benefits in selecting it. Total 25 customers were asked to fill up the question and it was found that 11 respondents out of 25 said in the affirmative that foreign exchange operation of Agrani Bank affects directly or indirectly on customer's benefits. It was also noticeable fact that a large number of employees disagree and said no, it did not really affect customer's benefits. Out of 25 respondents, 4 respondents were against the statement. Even a larger part of them do not actually know whether foreign exchange operation affects customers or not and they were neutral. That is why they did not say yes or no. So it can be drawn a conclusion that on an average 44% customer believe that foreign exchange operation of Agrani Bank affects customer in taking decision about selection of the organization, but 16% respondents disclaim it. So the bank should



continue foreign exchange operation for betterment of the organization as well as exporter-importer.

**Q. No.08: “Foreign exchange operation increases the customer transaction to organization”. How much do you agree with this statement?**

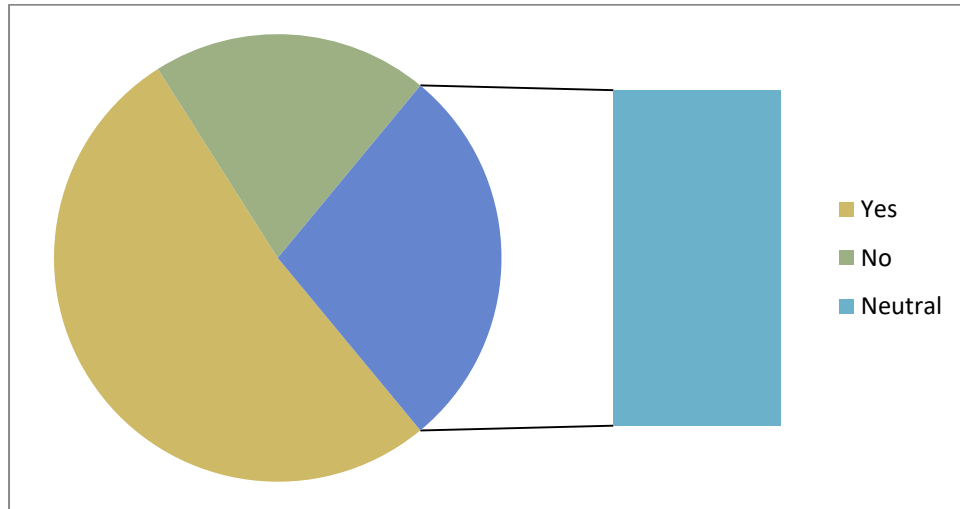
**Graph 28: shows survey report of question no: 8**



When the customers were asked about whether the foreign exchange activities of ABL increases customer’s transaction or not to the bank; out of 25 respondents- 12 respondent that they were agree with this statement, 8 respondents were neutral in providing their opinion, 5 respondents responded that they were disagree with this statement. From the above information, it can be said that 48% of the respondents were strongly agree with the statement, 32% of the respondents were neutral, 20% of the respondents were disagree with this statement. So I can conclude that, as the majority of the percentage of employees’ transaction depends on foreign exchange operations, so the ABL should emphasis on foreign transaction to make their customer more active to the organization.

**Q. No.09: Do you think that Bank's profitability through foreign exchange evaluates the efficiency of the organization?**

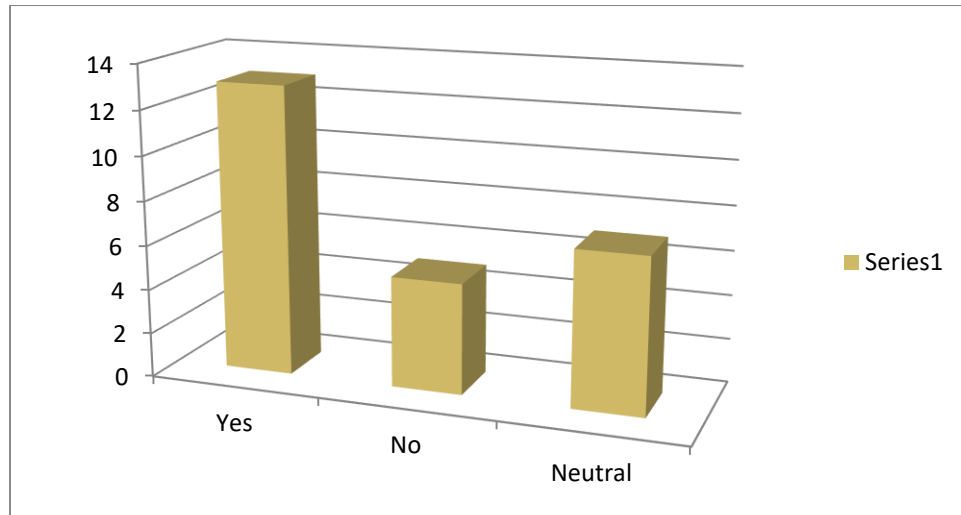
**Graph 29: shows survey report of question no: 9**



When the respondents were asked about whether bank's profitability through foreign exchange evaluates the efficiency of the organization; out of 25 customers- 13 respondents responded that it evaluated the efficiency as bank have to give extra time and money for foreign transaction, 10 responded that it did not evaluate the efficiency, on the other hand 2 respondents were neutral in providing their opinion. This shown that 52 % of the respondents thought that it was true, 40% of the respondents responded that bank's profitability through foreign exchange evaluated the efficiency of the organization, on the other hand 8% of the respondents were neutral. It is clear that profitability of the foreign exchange in some extent should increases this performance if they want to get better financial performance.

**Q.No.10: “ABL is practicing foreign transactions more widely and enhancing its performance in the market.” Do you agree with this statement?**

**Graph 30: shows survey report of question no: 10**



When the customers were asked about whether the bank is practicing foreign transactions more widely and enhancing its performance in the market, out of 25 respondents- 13 respondents responded that they were agree with this statement, , 3 people were neutral in providing their opinion, 5 respondents responded that they were disagree with this statement. From the above information, it can be said that 52% of the respondents were agree with the statement, 28% of them were neutral, 20% of the respondents were disagree, and the rest 20% of the respondents were strongly disagree with this statement. So I can conclude that as the majority of the percentage of customers said that ABL is practicing more widely and enhancing its performance in the market as well.

# **C** **HAPTER- EIGHT:**

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## **FINDINGS CONCLUSION AND RECOMMENDATION**

## Findings

From the overall performance analysis of Agrani Bank limited I can see some fluctuation of business performance tools. The descriptions are given below:

1. From the performance analysis the factor deposit is much satisfactory because now day's people are aware about safety .so they think to deposit their money to some safety organization. From the picture of deposit amount I can say Agrani Bank ensure satisfactory safety to their customers.
2. From the investment amount of Agrani Bank I can say this bank is now able to run their investment policy. From table 8 I can see the types of securities both gov. and non-gov. sector are increasing from one year to another year.
3. In acquiring foreign remittance Agrani Bank earn leading position above all state-own banks and the overall earning of all five year is satisfactory because of enhancement of amount but import and export business is not much satisfactory due to economic instability in previous year around the world.
4. From graph- 5 I can see the overall operating income of Agrani Bank limited is lower than the operating expenditure. This happened only for the recruitment of Agrani Bank limited. In 2017 the recruitment of Agrani Bank limited is around 500. So, their need a huge amount of salary for paying the recruits. For that reason the overall operating profit of the Agrani Bank limited is unsatisfactory. I can see the operating profit in 2012 is negative.
5. Foreign exchange identifies the process of converting domestic currency into international banknotes at particular exchange rates. These transactions present distinct ramifications for the global economy. Foreign exchange rates affect international trade, capital flows and political sentiment. The export position of Bangladesh has reached in a very strong position during 2010-11 where export growth increased by 41.47 percent as compared to the five years.

From the statistical analysis several finding can be described:

1. From co-efficient of determination, the result of  $R^2$  is 0.005. So, about 0.05% data can be described.
2. The coefficient of determination measures that part of the total variance of Y that is accounted for by knowing the value of X. Here, I calculate amount of change of net profit that vary by the amount of change of foreign exchange. So, I can say not only foreign exchange amount can't

change amount of net profit. Different factors also can increase the net profit of a bank such as- deposit, investment, operating income etc.

3. In linear regression line slope of line is 0.00529. So, the result is when foreign exchange amount change only .005% amount will be change to total net profit.
4. From calculation of standard deviation we can see the mean of net profit is 37506. From table-17 I can see the square root is greater than the mean. So, that means there is a change to improve the amount of foreign exchange to meet a handsome net profit.

From questionnaire survey I can see the following results:

1. From survey I see most of customers know about foreign exchange and employee see their bank are in the top position of all bank.
2. From customer point of view every bank should perform foreign exchange and from employee perception bank should increase their foreign exchange activity.
3. Both customer and employee agree with the matter that foreign exchange affect the choice and make the bank more attractive.
4. From customer point of view, that they are satisfied with the performance of the bank and also recommend that this performance should be increase.
5. Employees are agree about the importance of foreign exchange in the bank and it helps bank to sustain in the competitive business world.
6. 44% customer agrees with their potential benefit that affects by foreign exchange and for this it attracts stakeholders to ABL from employee point of view.
7. 52% of customer agrees that foreign exchange affect banks profitability and about 57% employee agree that topic. From this result and our statistical result are contradictory. That I can say not only foreign exchange can maximize the profit but other tools can do so.
8. A satisfactory amount of employee agrees about the matter that ABL is practicing foreign transaction more widely and enhancing Performance in the market.
9. And also employees agree that foreign exchange affect the value of employees in the international relationship.

## Conclusions

Agrani Bank Limited is a leading Public bank in Bangladesh with superior customer bases that are loyal, faithful, worthy towards the bank. The service provided by the young energetic officials of the Agrani Bank Limited is very satisfactory. Form the learning and experience point of view I can say that I really enjoyed my internship period in Agrani Bank Ltd. at shewrapara Branch from the very first day. I am confident that this 3 (three) months internship program will definitely help me to realize my further carrier in the job market. During the course of my practical orientation, I have tried to learn the practical banking to relate it with my theoretical knowledge, what I have gathered and going to acquire from various courses.

Performance analysis of foreign exchange of a bank is not so sufficient to measure and express perfectly within this short time of my internship period. But it is a great opportunity for me to get used to with the operational environment of foreign exchange business of ABL. I have tried by soul to incorporate the necessary relevant information in my report.

ABL is committed to provide high quality financial service to contribute to the growth of G.D.P. of the country through simulation trade and commerce, accelerating the pace of industrialization, boosting up export and import, creating employment opportunity for the educated youth, poverty alleviation, raising standard of living of limited income group and overall sustainable socio-economic development of the country.

I also think that there is bright future waiting for the Agrani Bank Ltd. Near future ABL will be a position to go as a catalyst for this development in the banking sector of Bangladesh. Another thing I have to mention here that ABL is going through the path in which they need to go as like today and it will bring more new and welfare oriented activities in the banking sector in years to come.

## Recommendations

Some recommendations on foreign exchange performance are mentioned in below:

- ❖ Since the import-export business have the highest contribution to the profitability of the bank, but import and export condition from 2011 to 2015 is not satisfactory, so it should take special attention.
- ❖ Performance measurement programs can be introduced to measure the performance of the officers involved in foreign exchange process.
- ❖ Agrani Bank should always monitor the performance of its competitors in the field of foreign trade for keeping a constant growth rate.
- ❖ For customer's convenience in Foreign Exchange Department of Agrani Bank Ltd. should provide more personnel to deliver faster services to their honorable customer.
- ❖ To deliver quality service, top management should try to mitigate the gap between customer's expectation and employee's perception.
- ❖ The number of exporter and importer who operate through this bank is not enough to achieve the goal. So ABL should offer more facilities to attract them to be their client.
- ❖ Foreign exchange department should be fully computerized that the exchange process would be convenient for both the bankers and the clients.
- ❖ The Bank should give more concentration of foreign remittance to increase profit from the remittance. Though the remittance performance of ABL for the last five year was very good so the performance and profit should increase year by year.
- ❖ Though the import and export business increased year by year, but the bank's income growth rate very much satisfied during the last five years. So the bank should try to sustain a constant growth rate.
- ❖ The export business of the bank is on fluctuating trend. So the bank should try to keep the pace of growth.
- ❖ Bank should try to increase earning from export. It should concentrate more effort to improve export earnings and remittance earnings for our economy.
- ❖ The import performance is little bit lower in the year of 2015 compared to others years, so the bank should try to put more concentration for the amount of import.
- ❖ The export earnings growth rate and import earning growth rate were very much fluctuated during the last five years. So bank should try to keep a constant growth rate.
- ❖ The number of human resources in the remittance department is really insufficient to give services to huge volume of work. So, number of staff should be increased in this department.



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## Appendix

### A survey on Foreign Exchange of Agrani Bank Ltd.

(This questionnaire is prepared for academic purposes. The information of this questionnaire would be used only for academic purposes. You can choose more than one option where necessary.)

Gender: Male / Female

Name:

Date:

Profession:

Monthly Income:

No. of family members:

### Questionnaire Survey on Employees

a) Do you think that ABL is top position of banking industries in Bangladesh for foreign exchange business?

1) *Yes*

2) *No*

3) *Neutral*

b) Do you think the performance of foreign exchange makes ABL more attractive to its employees and stakeholders?

1) *Yes*

2) *No*

3) *Neutral*

c) Do you think that every bank should increase foreign exchange transactions?

1) *Yes*

2) *No*

3) *Neutral*

d) "Foreign exchange is essential to sustain in the competitive business world". Do you agree with this statement?

1) *Yes*

2) *No*

3) *Neutral*

e) Does it really provide competitive advantage to your bank?

1) *Yes*

2) *No*

3) *Neutral*

f) "Stakeholders prefer the bank which emphasizes on foreign exchange performance". Do you agree with this statement?

1) *Yes*

2) *No*

3) *Neutral*

g) "Every bank is ethically responsible in case of foreign transactions". What is your position regarding this statement?

1) *Yes*

2) *No*

3) *Neutral*

h) Do you think that foreign exchange affects overall profitability?

1) *Yes*

2) *No*

3) *Neutral*

i) Do you think that foreign exchange acts as an effective profitable tool?

1) *Yes*

2) *No*

3) *Neutral*

J) Do you think that it affects employee on international relationship?

1) *Yes*

2) *No*

3) *Neutral*

### Questionnaire Survey for Customers:

a) Do you know about foreign exchange?

1. *Yes*                      2. *No*                      3. *Neutral*

b) Do you think that every bank should perform with foreign exchange?

1. *Yes*                      2. *No*                      3. *Neutral*

c) Do foreign exchange of ABL affect your choice about currency exchange?

1. *Yes*                      2. *No*                      3. *Neutral*

d) Is foreign exchange of ABL satisfactory?

1. *Yes*                      2. *No*                      3. *Neutral*

e) Do you think that foreign exchange performance of ABL should be increased?

1. *Yes*                      2. *No*                      3. *Neutral*

f) Is Foreign exchange important to you?

1. *Yes*                      2. *No*                      3. *Neutral*

g) Do you think that foreign exchange operation of Agrani Bank affects on potential customers benefit?

1. *Yes*                      2. *No*                      3. *Neutral*

h) "Foreign exchange operation increases the customer transaction to organization". Do you agree with this statement?

1. *Yes*                      2. *No*                      3. *Neutral*

i) Do you think that bank's profitability through foreign exchange evaluates the efficiency of the organization?

1. *Yes*                      2. *No*                      3. *Neutral*

J) "ABL is practicing foreign transactions more widely and enhancing its performance in the market." Do you agree with this statement?

1. *Yes*                      2. *No*                      3. *Neutral*