

Course code: BUS 498

Project Report on

Foreign Exchange and Foreign Trade: Problems and Prospects of Islami Bank Bangladesh Ltd.



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ID: 2006-1-10-133
Semester: Summer'10
Subject: BUS 498
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Date of submission: 18 August,2010



EAST WEST UNIVERSITY

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Letter of Transmittal

18th August, 2010

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Subject: Submission of Project report.

Dear Sir,

With due respect, I would like to inform you that it is a matter of immense pleasure to submit my project report titled “**Foreign exchange and foreign trade: problems and prospects**” of IBBL. In your kind consideration, I would like to say that it has been a great pleasure for me to work on this assigned topic. While preparing this report I have come across many hurdles and pleasant experience. But valuable experience that I have gained during the period will undoubtedly benefit me in the years ahead. However this report attempts to describe the observations, learning and experience I have gained during my project. I tried my level best to put meticulous effort for preparing this report. During the process of preparation due to various constraints there may be some mistakes. However, I apologize for all those and beg your kind consideration in this regard. While preparing this report, for collecting relevant information, I have gone through direct conversation with IBBL officials, annual reports, other papers and publications. Finally, I hope that, you will enjoy going through this report, as I have felt great pleasure to prepare it. I shall be pleased to answer any sort of query you may have, regarding this report.

Thanking you

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Acknowledgement

Praise is to Allah, for giving me the opportunity to be a student of a prestigious department like Business Administration Systems. I would like to thank my project supervisor Dr. Tanbir Ahmed Chowdhury my favorite, honorable teacher of the department for giving me the chance to work on such a tremendously nice topic.

I have prepared this report as an integral part of BBA program under the department of Business Administration, the East West University of Dhaka. I am highly indebted to a number of persons for their kind advice, suggestions, directions and cooperation that have enabled me to prepare this report.

I am very grateful to my favorite teacher for all his kind cooperation and guidance in preparing this paper.

I also like to thank the entire departmental heads and staffs who helped me in various ways. The members of the management of IBBL were very co-operative and helpful to me from top to bottom level. They helped me by supplying various data, guidelines and direction.

Finally this paper is subject to defects and drawbacks that are inherent in every human endeavor. I therefore request every reader of this paper to furnish me any mistake so that further action for improvement can be taken.

Executive Summary

Based on Islamic principles and shariah (Islamic law), with an authorized capital of TK. 500 million (12.5 millions dollars), the Islamic bank in Bangladesh, called Islami Bank Bangladesh Limited (IBBL) was incorporated on March 13, 1983 as a Public Limited Company under the companies Act of 1913. The bank started its financial activities with effect from March 30, 1983. This is one of the first interest free banks in South Asia. The opening of Islami bank brought a new era in the history of the country's financial market. The long cherished desire of many Muslims in the country was realized. Bangladesh, which is the second largest Muslim country of the world, Islami Bank Bangladesh Limited (IBBL) started as a joint venture multinational bank with 63.92% of equity contributed by the Islamic Development Bank and financial institutions like Al-Raji Company for Currency Exchange and Commerce of Saudi Arabia, Kuwait Finance House, Jordan Islamic Bank, Islamic Investment and Exchange Corporation of Qatar, Bahrain Islamic Bank, Islamic Banking System International Holding, S.A, Dubai Islamic Bank, Kuwait Ministry of Awqaf and Islamic Affairs.

One of the main objectives of the Bank is to introduce a welfare oriented banking system and also to establish equity and justice in the field of all economic activities. Various welfare oriented schemes have been introduced since the inception of the Bank.

The bank has been playing commendable role in setting up export oriented as well as import substitute industries in the country in order to save valuable foreign currency and there by contribute towards development of the country. The growth of foreign trade business of the bank has been quite phenomenal in last 5-6 years. In this report, efforts have been made to identify various problems of Foreign exchange and Foreign Trade as well as focusing on the Foreign exchange and Foreign Trade prospects.

However, I have divided the whole report in six parts. In the first part, I have discussed about origin of the report, objectives of the report, limitations & methodology of the report.

In Second part, I try to introduce Islami Bank Bangladesh Ltd. like its mission & vision, objectives, functions, business philosophy & corporate information.

In third and fourth part I have given idea about foreign exchange & foreign trade & IBBL's performance over foreign exchange & foreign trade.

Finally I have discussed about the problems & prospects of foreign exchange operation of IBBL. And tried to provide some recommendation for overcome these problem near future.

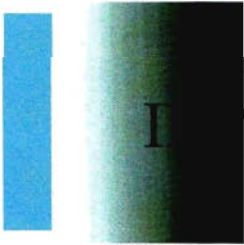
In conclusion I can say, the level of customers satisfaction of the bank depend on total service of the bank which is provided by it. If one service is good and another service is too bad then it is tough to satisfy customers mind and their needs and want. If the customers were not satisfied then they will be not spokespersons of the bank. In current market segment every bank and financial institute want to provide its customers better service or rather to say one top service because if the customers are not satisfied then they switch the band very easily and for them 100s of doors is open.

To attract to the regular and potential customers maximum banks are offering new benefited product to their customers as well as trying to provide some service which was not introduce in Bangladesh before such as Credit Card, Debit Card, ATM, Real time Online Banking Facility, Internet Banking, SMS Banking etc.

So here, I have to find it out what's problem mainly faced by the customers, bank as well as the officials of the Foreign Exchange Department to deal with them and how they can solve the problem and what is new things and features should add by the bank to satisfy its customers.



Part 1



INTRODUCTION OF THE STUDY

CHAPTER-1
(INTRODUCTION OF THE STUDY)

1.1 Introduction

At birth, Bangladesh inherited an interest based banking system, which was introduced here earlier when the country was a part of British Colony. Since its inception Bangladesh saw a new trend in banking both at home and abroad. Islamic banking was successfully tried in Egypt. During the seventies, Islamic Development Bank (IDB) and a number of Islamic banks at national levels were established in the Islamic world. At home, the Islamic groups were vigorously working for adoption of Islam as the complete code of life. They found Islamic banking in ready form of immediate introduction. Two professional bodies “Islamic Economics Research Bureau” (IERB) and “Bangladesh Islamic Bankers Association” (BIBA) were taking practical steps for imparting training on Islamic Economics and banking to a group of bankers and arranging some national and international seminars/workshops to mobilize local and foreign people and attract investors to come forward to establish Islamic bank in Bangladesh. Their professional and right-thought activities were reinforced by a number of Muslim entrepreneurs working under the aegis of Muslim Businessman Society (MBS). The body concentrated mainly in mobilizing equity capital for the emerging Islamic bank. Due to continuous and dedicated work of the above groups and individuals and active support from the Government, Islamic banking could be established in early eighties

Islami Bank Bangladesh is a financial institution whose status, rules and procedures expressly state its commitment to the principle of Islamic Shariah. Consequently Islamic banks operate on Islamic principles of profit and loss sharing, strictly avoiding interest, which is the root of all exploitation and is responsible for large-scale inflation and unemployment. In this report, I have made microscopic analysis mainly on Foreign exchange and foreign trade & its problems & prospects of Islami Bank Bangladesh Ltd.

1.2 Objectives of the report

There are mainly two objectives behind the preparation of this report such as primary objectives and secondary objectives. These are discussed as under:

The Primary Objective:

The primary objective of preparing this report is to fulfill the partial requirements of the BBA program and to represent the 'Foreign Exchange Functions & its problems and prospects' of Islami Bank Bangladesh Limited.

Secondary Objective:

The secondary objectives of this report are as below

- To understand the general concept of foreign exchange.
- To understand foreign exchange market.
- IBBL's involvement in foreign exchange operation.
- Foreign exchange business target vs. achieved results.
- Foreign exchange business of IBBL of 2007&2008.
- To determine the problem of foreign exchange and foreign trade of IBBL.
- To determine the prospect of foreign exchange and foreign trade of IBBL.

1.3 Sources of data collection

The officials and management body of IBBL primarily provided necessary information in preparing this report. Therefore, other necessary information and data of the report are collected through various documents of IBBL, library work, and web site of IBBL.

1.4 Limitations

Shortage of time period:

I had to complete this report writing within a shorter period of time. So the time constraint of the study hindering the course of vast area and time for preparing a report within the mentioned period is really difficult.

Busy working environment:

The officials had some times been unable to provide information because of their huge routine work. That's why I do not gather vast knowledge about the critical issues.

Lack of sufficient well informed officials:

Many officials of the branch are not well informed about foreign exchange problems of IBBL. I had to face many difficulties to collect this information.

Insufficient Data:

The data required for sufficient analysis for writing report couldn't be collected due to excessive workload. I had to rely entirely on the data received from the books of statistics, Manifesto, and the Annual Reports of Islami Bank Bangladesh Limited, and I had no opportunity to verify the satisfaction level of clients and receive their suggestions in implementing the Islamic Shariah as well as other foreign exchange banking activities.

Secrecy of Management:

There some information which are confidential. I am unable to collect these data. Some data could not been collected for confidentiality or secrecy of management.

Lack of monitory support:

Few officers sometime felt disturbed, as they were busy in their job. Sometime they didn't want to supervise us out of their official work.

1.5 Methodology of the report

Correct and smooth completion of report work requires adherence to some rules and methodologies. Rules were followed to ease the data collection procedure. Accuracy of study depends on the information and data analysis.

Study area

The area of my study has been encompassed the operation area of “Islami Bank Bangladesh Limited, local branch”.

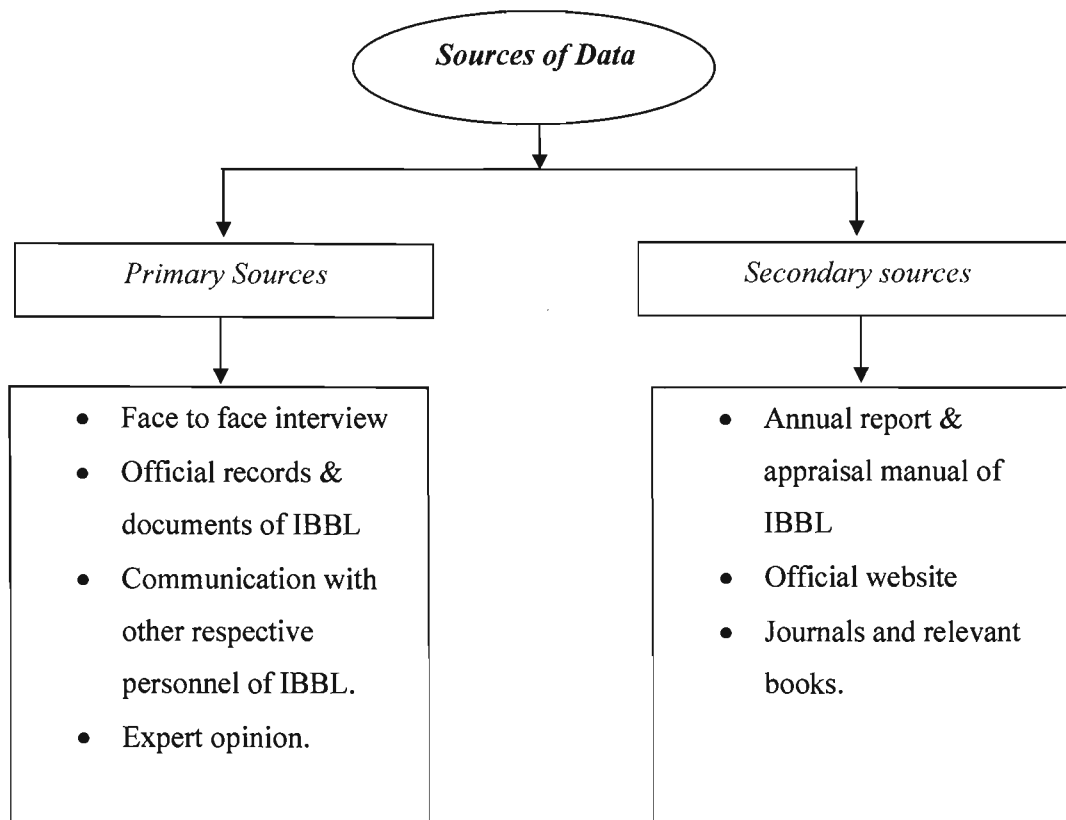
Target group

To accumulate the required data I have contacted with each departmental head along with other concerned executive of Islami Bank Bangladesh Limited. In case foreign exchange operation I have got in close with the responsible personnel of foreign exchange Department of IBBL to collect the information.

Types of research

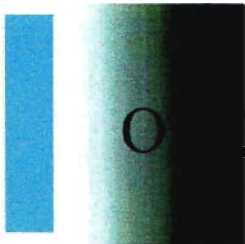
In these study descriptive and statistical types of research has undertaken to gain insights and understanding about the assigned topic.

Sources of information





Part 2



OVERALL IDEA OF IBBL

CHAPTER-2
(ISLAMI BANK BANGLADESH LIMITED)

2.1 Derivation of IBBL

Bangladesh is one of the largest Muslim countries in the world. The people of this country are deeply committed to Islamic way of life as enshrined in the holy Quran and the Sunni. Naturally, it remains a deep cru in their hearts to fashion and design their economic lives in accordance with the precepts of Islam. The establishment of Islami Bank Bangladesh Limited on March 13, 1983, is the true reflection of this inner urge of its people. Islami Bank Bangladesh Ltd., which was incorporated on 13th March, 1983, went into operation on 30th March, 1983 and introduced a full package of banking services in August 1983, Islami Bank Bangladesh Limited is considered to be first interest-bank in South East Asia.

IBBL is a public limited company with limited liability under the companies Act, 1913; it is a joint venture multinational bank with sixty four percent of equity being contributed by the foreign sources. Regarding shareholding structure of the bank, the local shareholders hold shares in the ratio of thirty six to sixty four. In December, 1997 the number of its shareholders stood at 6863, its shares are quoted in the two stock markets of the country namely Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE), being in high demand the shares are presently sold at three times higher than the face value. Authorized capital of this bank is Tk. 500 million. At present IBBL has a paid-up capital of Taka 317.98 million and Reserve Fund to Taka 930.17 million. The Bank is managed by 23-member Board of Directors elected by the shareholders, An Extensive committee consisting of 8 Directors and a Management Committee consisting of the top Executives of the Bank also oversee the day-to-day function of the Bank. A representative from the Shariah Council also takes part in the above committee. Powers and functions are suitably distributed amongst these bodies. The bank has also a 10 -member Shariah council consisting of Fuquah, Islamic Economists and a Lawyer. The council gives decision on Islamic issues, which are generally followed in the Bank. The Council conducts audits the operation of Bank branches each year on selective basis and put forward report identify the deviations and suggestions for purification of the banking transactions.

2.2 Mission of the Bank

To establish Islamic banking through the introduction of a welfare oriented banking system and also ensure equity and justice in the field of all economic activity balanced growth and equity development through diversified investment operations particularly in the priority sectors and less development areas of the country.

2.3 Vision of the bank

The vision of IBBL is to always strive to achieve superior financial performance, be considered a leading Islamic Bank by reputation and performance.

- To establish and maintain the modern banking technology, to ensure the soundness and development of the financial system based on Islamic principles and become the strong and efficient organization with highly motivated professionals, working for the benefit of people, based upon accountability, transparency and integrity in order to ensure stability of financial system.
- Try to encourage savings in the form of direct investment
- Try to economic investment particularly in projects, which are move likely to lead to higher employment.

2.4 Objectives of Islami Banks Bangladesh Limited (IBBL)

The main object of the Islami Bank Bangladesh Limited (IBBL) had been to offer an interest free banking system in the financial market. Apart from that, the bank started its operation in the country with a view to realizing the following objectives.

- To establish a partnership relationship with customers and to eliminate the idea of the debtor-creditor relationship of traditional banks.
- To establish welfare oriented banking system;
- To mobilize savings towards productive sectors;
- To invest on profit and risk sharing basis;
- To invest to those businesses sectors those are found legal from the religious point of view.
- To accept deposits on profit and loss sharing basis.
- To create employment opportunities by investing savings towards prospective economic sectors.
- To extend banking services towards the poor, helpless and low-income group of people in the society in order to uplift of their standard of living.
- To contribute to establishment of a society by equitable distribution of wealth
- To establish justice in trade and commerce in the country;
- To develop morals among the people and to establish the shariah in the field of trade and commerce

- To render services for the economic development of the nation.
- To contribute towards establishment of an Islamic Economic System in the Country.

2.5 Special features of the IBBL

- All its activities are conducted on interest-free system according to Islamic Shariah.
- Investment is made through different modes permitted under Islamic Shariah.
- Investment income of the bank is shared with the Mudaraba depositors according to a ratio to ensure a reasonably fair rate of return on their deposits.
- Its aims are to introduce a welfare-oriented banking system and also to establish equity and justice in the field of all economic activities.
- It extends Socio-economic and financial services to the poor, helpless and low income group of the people for their economic enlistment particularly in the rural areas.
- It plays a vital role in human resource development and employment generation particularly for the unemployed youths.
- Its aim is to achieve balance growth & equitable development of the country through diversified investment operations particularly in the priority sectors and in the less developed areas.

2.6 Functions of IBBL

The functions of Islami Bank Bangladesh Limited are as under:

- To maintain all types of deposit accounts.
- To make investment.
- To conduct foreign exchange business.
- To extend other banking services.

2.7 Business philosophy

The philosophy of IBBL is to the principles of Islamic Shariah. The organization of Islamic conference (OIC) defines an Islamic Bank as "a financial institution whose status, rules and procedures expressly state its commitment to the principles of Islamic Shariah and to the banking of the receipt and payment of interest on any of its operations. The sponsor, perception is that IBBL should be quite different from other privately owned and managed

commercial bank operating in Bangladesh, IBBL to grow as a leader in the industry rather than a follower. The leadership will be in the area of service, constant effort being made to add new dimensions so that clients can get "Additional" in the matter of services commensurate with the needs and requirement of the country growing society and developing economy.

2.8 Corporate information

Corporate Information of IBBL.

Date of Incorporation	13th March 1983
Inauguration of 1st Branch (Local office, Dhaka)	30th March 1983
Formal Inauguration	12th August 1983
Share of Capital	
Local Shareholders	42.63%
Foreign Shareholders	57.37%
Authorized Capital	Tk.5,000.00 million
Paid-up Capital	Tk.3,801.60 million
Deposits	Tk.173,210.70 million
Investments (including investment in Shares)	Tk.183,813.25 million
Foreign Exchange Business	Tk.111,059.00 million
Number of Branches	192 (27.07.2010)
Number of Shareholders	26,488

2.9 contribution of IBBL

- IBBL is the pioneer institution of Islamic Banking in Bangladesh.
- The success of IBBL has imbibed other sponsors at home and abroad to establish Islamic Banking in Bangladesh. Four national, one international Islamic Banks have since been established in the country. A private sector traditional bank has also established two full-fledged Islamic Banking branches. Several other existing and proposed traditional banks have also expressed their intention to introduce Islamic Banking.
- IBBL has successfully mobilized deposits from a section of people who hither-to-before did not make any deposit with interest based banks.
- The Islamic Banking products which are offered by IBBL through its 176 branches located at important centers all over the country and spontaneous acceptance of those products by the people proves the superiority of Islamic by the people proves the superiority of Islamic banking.
- IBBL's market share of deposit investment and ancillary business is steadily increasing
- IBBL, through still a tiny bank, handles more than 10% of country's export and import trade.
- Among the contemporary commercial Banks IBBL's position is first in respect of mobilization of deposit, deployment of fund and earning profit.
- Investment in industrial sector occupies nearly 49.19% of IBBL's investment portfolio. This is a unique example of industrial finance by a commercial Bank.
- More than 1.15,000 workers are employed in the industrial projects financed by IBBL. IBBL has thus made significant contribution to solving unemployment problem of the country.
- Dhaka-the capital of Bangladesh being a Mega city has acute transport problem. IBBL has joined hands with an enterprising group to introduce a fleet of Premium Bus service, which has attracted the attention of all section of the people and mitigated transportation problem of the city to some extent.



Part 3

GENERAL CONCEPT ABOUT
FOREIGN EXCHANGE
& FOREIGN TRADE

CHAPTER-3

(GENERAL CONCEPT ABOUT FOREIGN EXCHANGE AND FOREIGN TRADE)

3.1 Concept of Foreign Exchange

In simple work, foreign exchange means foreign currency. In other word, it means exchange or conversion of one currency with/ into another currency. Basically Foreign Exchange deals with foreign currency as well as currency instrument such as Draft, Traveler cheque, Bill of exchange, MT, TT and PO etc accepted, drawn, made or issued under clause 13, Article 16 of the Bangladesh Bank Order, 1972 and foreign trade- import and Export.

There are mainly two situations in the foreign exchange operation. One is **Currency Draft**, which is related with buying, and selling of foreign currency and is **Trade Transaction** which is required for settlement of import and export obligation.

3.2 Foreign Exchange Market

The foreign exchange market is a market where conversions take place. In our country inter Bank Foreign Currency/Exchange Market operated through electronic media using Dealing Room of Bank/Financial Institution for buying and selling of foreign currency among banks and other financial institutions at floating rate based on market demand and supply. Only authorized dealers deal directly with each other in foreign exchange markets that are licensed to operate in the foreign market by the Bangladesh Bank. Authorized deals who are generally commercial bank on behalf of their customer handle all the foreign transaction.

3.3 Types of Foreign Exchange Market

There are three types of foreign exchange market existed in our country-

- **Spot Market-** where exchange of one currency with another takes place on the spot.
- **Forward Market-** where actual delivery of the currency will happen at a future date as per agreement of present date.
- **Option Market-** Wherein a contract is made specifying the right to buy or sell a standard amount of foreign currency within a specific date at a certain price.

Foreign exchange business consists of three categories of business that are-

- **import**
- **export**
- **Remittance**

3.4 Import section

Import of goods into Bangladesh is regulated by the Ministry of Commerce in terms of the Import and Export (control) Act 1950 with Import Policy Order and Public notice issued from time to time by the Office of the Chief Controller of Import & Export (CCI&E).

The tasks of import section of a bank can be divided into followings:

- ♣ Opening of L/C
- ♣ Bills

3.4.1 Opening of L/C:

Client Induction: This is the very first step when a banker gets involved with its client. Before going to any sort of involvement such as opening of L/C, a banker has to observe a customer from qualitative point they observe the '5c' of a client which implies Character, Capacity, Capital, Collateral & Creditworthiness.

IRC maintenance & renewal of VAT and TIN certificates of the Clients: One of the major tasks of a banker is to make sure that the IRC (Import Registration Certificate) is valid and it has been renewed. And if not renewed the banker has to renew it on behalf of the client. The banker also has to check the VAT (Value Added Tax) and TIN (Tax Identification Number) certificate of the client and if those require renewal it is a duty of a banker to inform the client about the formal procedures to follow.

Maintenance of Security papers (LCAF): It implies letter of credit authorization form. There are two types of LCAF:

- ♣ Commercial LCAF – The validity of this form is nine months. This form is used for those commodities that are purchased and directly traded without any further processing.
- ♣ Industrial LCAF – the industrial LCAF is used for those commodities that require further processing before final selling. The validity of industrial LCAF is 17 months.

3.4.2 L/C preparation Stage:

1st Step

- ⊗ To open the A/C
- ⊗ IRC (valid)

- ⊗ TIN
- ⊗ VAT
- ⊗ Membership (Chamber) Certificates

2nd Step

- ⊗ Checking L/C Application Set

- | | |
|-------|--------------------------------------|
| i. | F – 27 |
| ii. | DP Note (with stamp) |
| iii. | DP Note Delivery Letter (with Stamp) |
| iv. | Irrevocable Letter of Authority |
| v. | Undertaking |
| vi. | Prayer for issuance of LCAF |
| vii. | LCAF |
| viii. | IMP & TM form |
| ix. | Signature verification |
| x. | Issuance Cover Note |
| xi. | Performa Invoice/Indent |
| a) | Item permissible |
| b) | Market Verification |
| c) | Restricted Country |
| d) | Credit Report |
| e) | Declaration |

- ⊗ Pre-Audit Memo
- ⊗ L/C Opening Registration
- ⊗ Vouching
- ⊗ L/C Liability Register
- ⊗ L/C Checking
- ⊗ Dispatching
- ⊗ PSI

3rd Step

- | | |
|----|---------------------------------|
| a) | Checking of documents |
| b) | Intimation of clients |
| c) | Bill register (BC Selling Rate) |

- d) Noting in the file
- e) Vouching (liability reversal, Bill liability creation)
- f) IMP & TM form fill up

4th Step (L/C Retirement)

- a) Acceptance
- b) Endorsement for releasing the goods
- c) Payment settlement
- d) Reporting to Bangladesh Bank
- e) Matching the Bill of Entry

3.4.3 BILLS:

Receiving L/C documents:

The bank receives the export-related documents (commercial invoice, bill of exchange, bill of lading, packing list, pro-forma invoice, etc.) from the beneficiary and after receiving of those documents the banker informs the importer about the received documents.

Documents checking:

The most important and very first task of the banker is to check the received documents very carefully in order to check whether there is any discrepant document and whether the documents are sent in advance with the terms and conditions of the L/C.

Providing discrepancies if necessary:

If the bank finds discrepancies in the documents sent by the exporters then it has the right to refuse the documents. But usually the bank informs the importer about the discrepant and let the matter to them.

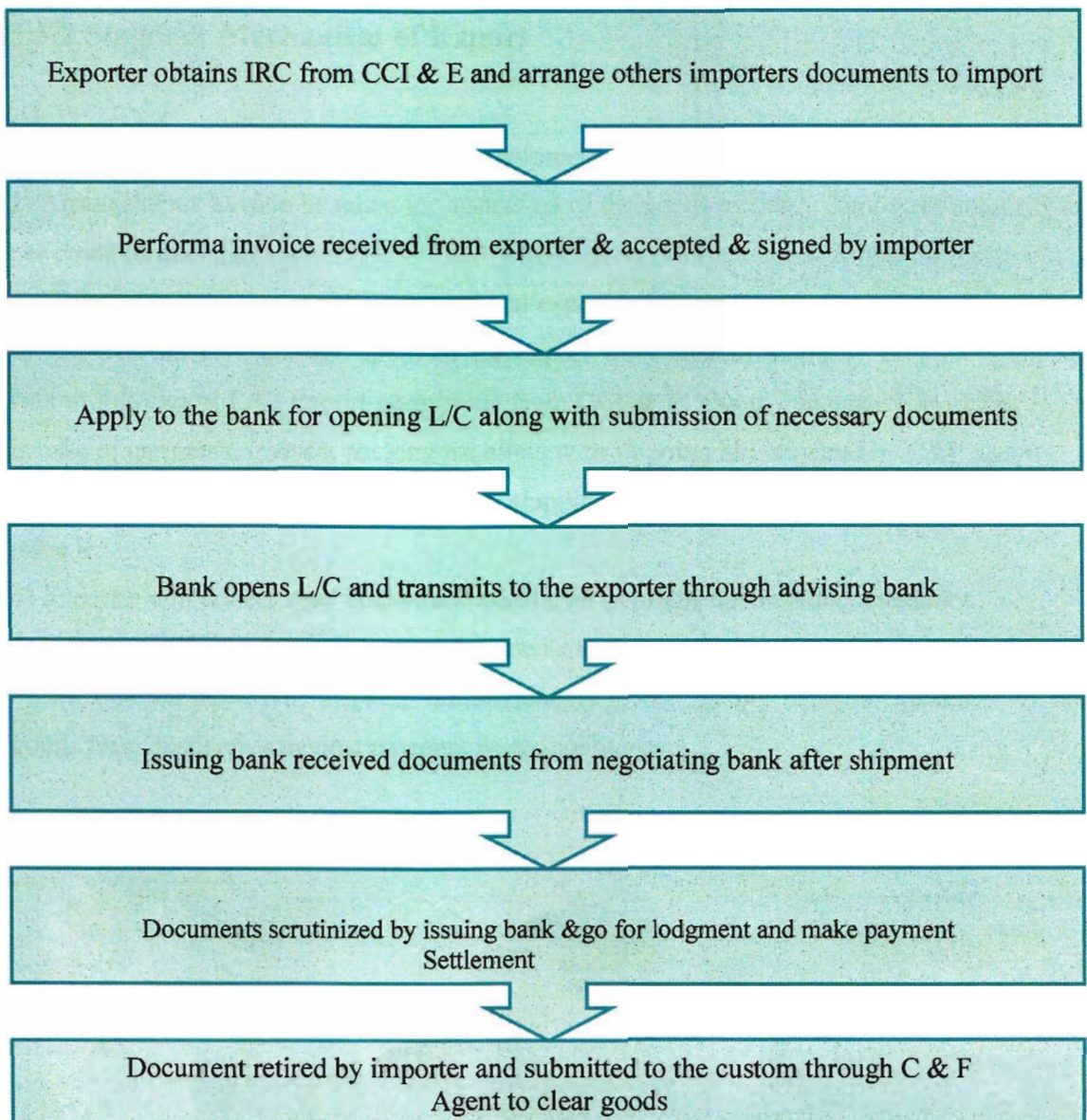
Lodgment of documents:

After receiving the documents from the exporter, the bank has to make payment within 7 working days. This temporary situation of the document is called lodgment period. Here the bank gives an entry in the register about the documents so that in a nutshell they can understand the situation. They inform the applicant about the rest of the amount of L/C value.

Arrange purchasing of foreign currency:

After 2/3 days of the lodgment of the documents, it is the duty of the bank is to inform the importer about the received document and arrange payment for the beneficiary. Since the applicant provides fund in Bangladeshi Taka and the bank has to pay the beneficiary in the foreign currency, so the bank arranges to purchase foreign currency in exchange of those Bangladeshi currencies.

3.4(4) IMPORT FLOW CHART



3.5 Export section

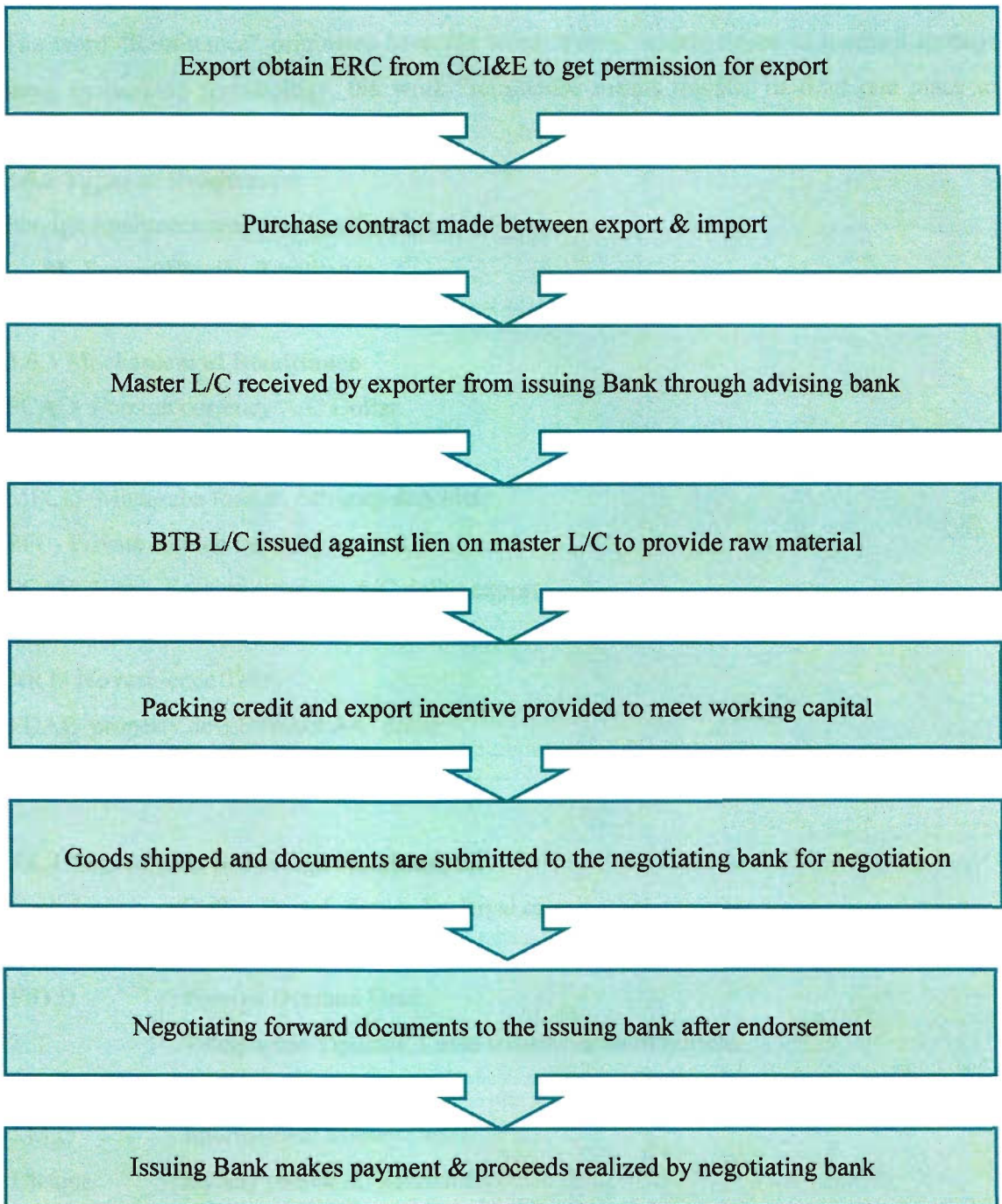
3.5.1 Definition of Exporter

The importers and exports trade of the country is regulated by the Imports Exports Control Act 1950. No person /firm is allowed to export any thing from Bangladesh unless he is registered with CCI and E under the registration order (Importer and Exporter) 1952. To become an exporter an ERC (export Registration Certificate) must be obtained from the office of CCI & E.

3.5.2 Stages & Mechanism of Export

- 1) Exporter will make the goods ready for shipment.
- 2) Arrangements have to be taken for inspection of the goods by the competent authority as per credit terms.
- 3) Exporter will declare on EXP form against export L/C/Firm Contract/ Advance payment.
- 4) Exporter have to arrange approval for export from custom authority on EXP form by submitting Export L/C, Export permission from CCI & E, Quota clearance from EPB, U.D. in case of garments, invoice, packing list along with shipping bill prepared by C&F agent.
- 5) After completion of custom formalities, shipping company will receive the goods and will issue B.L.
- 6) Exporter will collect visa/ license and certificate of origin for final documentation.
- 7) Exporter will submit the full set of documents to the negotiating bank for negotiation.
- 8) Negotiation bank will dispatch the documents to the issuing bank for clearance of the goods from destination against payment as per credit terms.

3.5.3 Flow chart for Export (Manufacturing)



3.6 Remittance section

3.6.1 Meaning of Remittance

The word “Remittance” originates from the word “remit” which means to transmit money/ fund. In banking terminology, the work “remittance means transfer of fund one place to another. When money transferred from one country to another is called “Foreign Remittance”

3.6.2 Types of Remittance:

Foreign remittance may be classified into.

- Inward Foreign Remittance.
- Outward Foreign Remittance.

3.6.3 Mechanism of Remittance

FCAD- Foreign currency A/C Dollar.

FCAP- Foreign currency A/C Dollar.

MFCD- Mudaraba foreign currency deposits.

PFC- Private foreign currency.

FCAD- Exp. - Foreign currency A/C dollar export.

NRO- Non residence dollar.

NRT- No residence Taka.

PDAP- properly development A/C dollar.

PDAP- properly development A/C pound.

3.6.4 Instruments of Foreign Remittances:

Cash for : Dollar, Pound, France Fr. Riyal or any other currency.

T.C. : Travelers Cheque.

F.D.D : Foreign Demand Draft.

T.T : Telegraphic Transfer, Cable transfer or swift transfer.

M.T : Mail Transfer.

I.M.O : International Money Order.

Cheque : By any person & institution..

P.O : Payment Order.



Part 4

FOREIGN EXCHANGE
BUSINESS OF IBBL

CHAPTER-4
(FOREIGN EXCHANGE BUSINESS OF IBBL)

2008 has been a very challenging year for IBBL in respect of foreign exchange business. Although they had made a good start in the beginning of the year and made good progress up to the 1st half of the year, they had to curtail the growth due to the compelling situation of bringing down the investments in line with the capital position of the bank. The financial crisis in the USA & Europe also played its role. Export & Remittance business were unaffected throughout the year except in the last 2 months. IBBL's Summarized performance in F.EX Business is shown as under:

Target vs. achievement

(Million Tk.)

Business	Achievement 2008				Business plan 2009	
	Target	Achievement	% of achievement	Growth	Target	
					Amount	% of growth
Import	199,000	168,329	85%	23%	244100	45%
Export	93,500	93,920	100%	41%	131500	40%
Remittance	126,500	140,420	111%	67%	211000	50%

Comparison of Market Share

Business	2007	2008
Import	10.83%	10.25%
Export	7.82%	9.56%
Remittance	18.59%	23.07%

4.1 Import business

Through analyzing the import business of 2008 the followings are found:

4.1(1) High growth up to June, 2008:

Comparison of Import: month to month 2007&2008

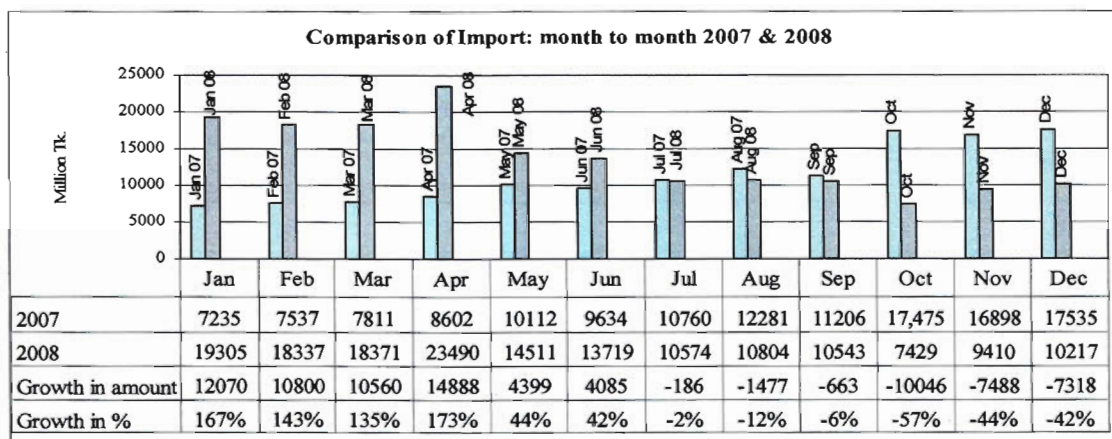
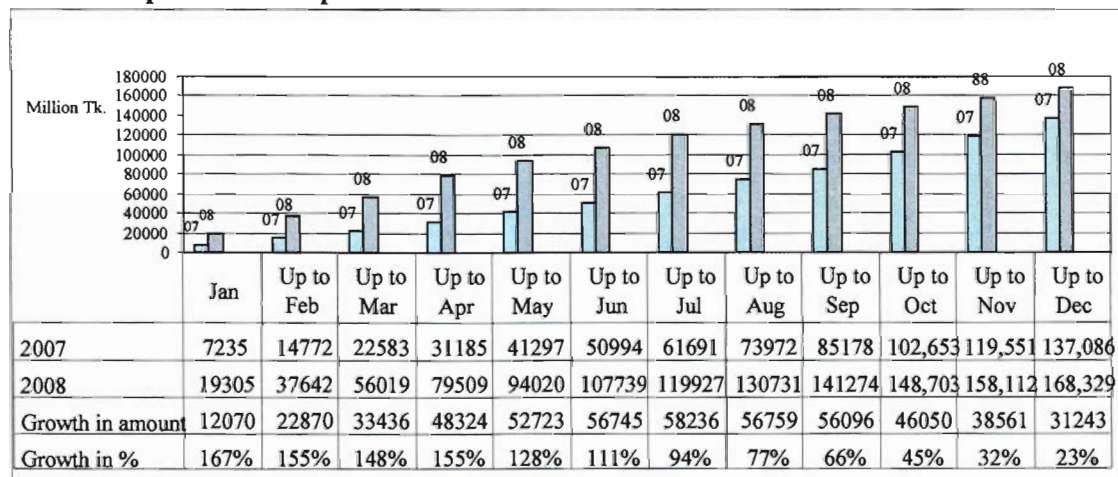


Table: Import-1

4.1(2) cut down in import business:

Due to failure of the importers to recycle the investments, they had to cut down on the imports items of funded investment in order to keep the investments within the Deposit / investment ratio at the end of the year.

Comparison of Import: at the end of each month cumulative of 2007 & 2008



4.1(3) Decrease of market share

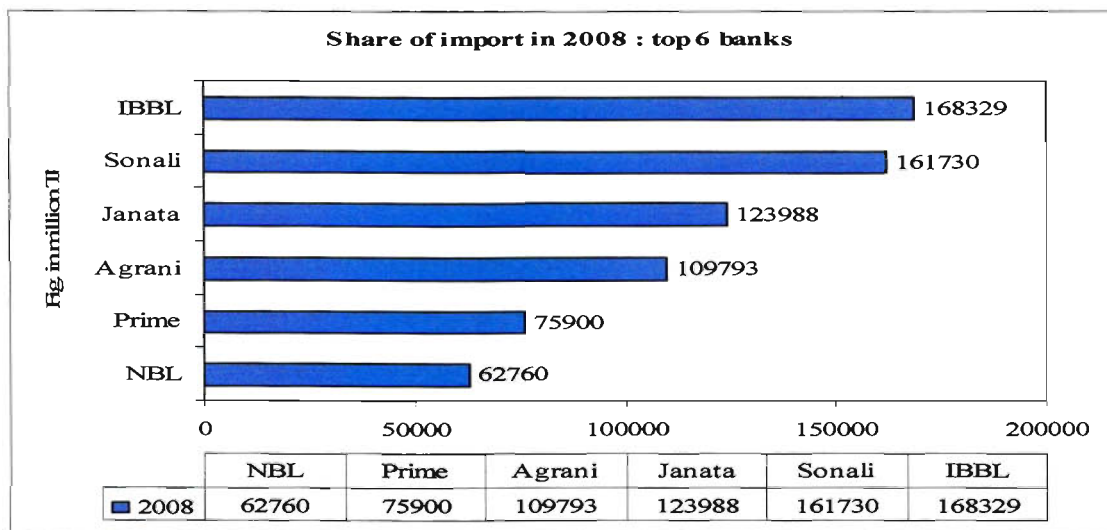
In import business, the share of IBBL in country's import business increased from January'08 (13.88%) to April '08 (15.99%). But it is gradually decreased from May'08 (11.58%) to December '08 (7.53%). The net market share is 10.25%.

Share of IBBL in country's total import

	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec	Total
IBBL	19305	18377	18371	23490	14511	13719	10574	10803	10543	7429	9410	10217	168329
Country	139070	120740	145020	146890	125270	147770	141910	142830	143797	117462	134491	135630	1640880
Share of IBBL	13.88	15.22	12.67	15.99	11.58	9.28	7.45	7.56	7.33	6.32	7.00	7.53	10.25

4.1(4) Position of the leading banks in import business in 2008:

In spite of the challenges faced in 2008 as noted above, IBBL managed to become the leader in import business ahead of Sonali, Janata, Agrani, Prime & National Banks.



4.2 Export business

Through analyzing the export business of 2008 the followings are found

4.2(1) Steady Growth:

Export business achieved 101% of the target and maintained a steady growth all over the year i.e. more than 41% up to December 2008 as against target growth of 40%.

Comparison of Export: at the end of each month cumulative of 2007 & 2008

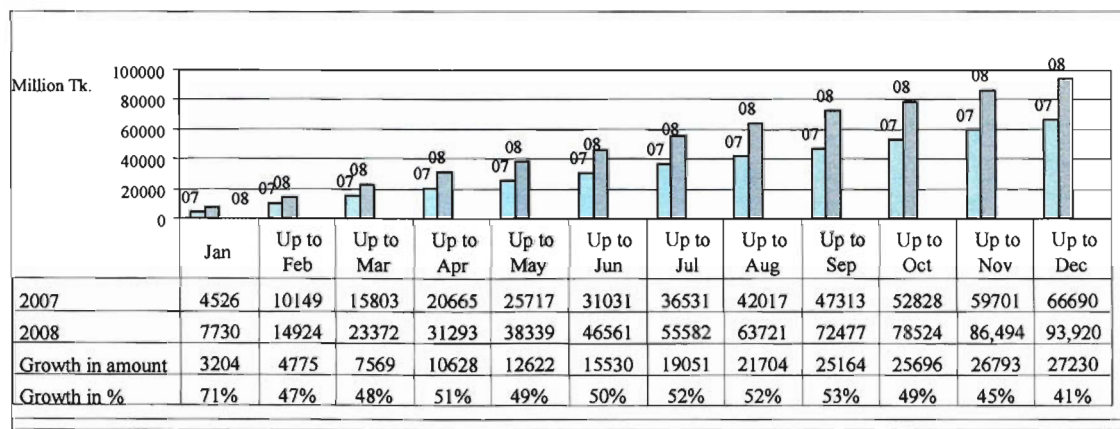
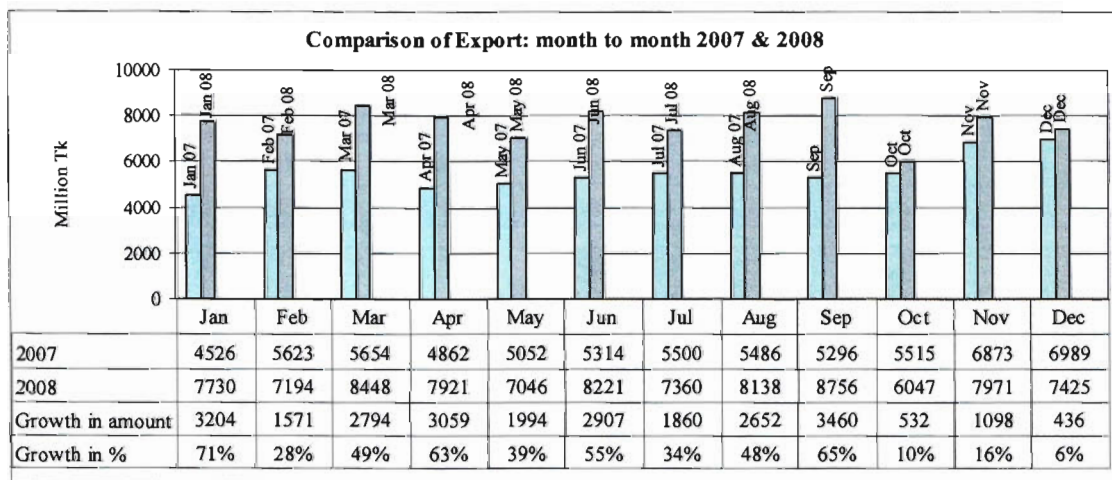


Table: Export-1

4.2(2) Fall of month to month growth in last two months:

It may however be seen from individual month to month growth that growth has fallen from 65% in September to 16% & 6% in November & December respectively.

Comparison of Export: month to month 2007&2008



4.2(3) Market Share:

In export business, the share of IBBL in country's export business increased from January'08 (9.99%) to April '08 (11.67%). But it is gradually decreased from May '08 (9.47%) to Dec. '08 (8.67%). The net market share is 9.56%.

Share of IBBL in country's total export

	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
IBBL	7730	7194	8448	7921	7046	8221	7360	8139	8756	6047	7971	7425	93920
Country	77400	70950	76650	67880	74420	82920	94610	84780	102693	81367	83105	85621	982396
Share of IBBL	9.99	10.14	11.02	11.67	9.47	9.91	7.78	9.6	8.53	7.43	9.59	8.67	9.56

Table: Export-3

4.2(4) Position of the leading banks in export business in 2008:

IBBL comfortably became the leader in export business ahead of Janata, Sonali, Prime, Agrani & Nationals Banks with a growth of 41% which is shown in Table: export -4 below.

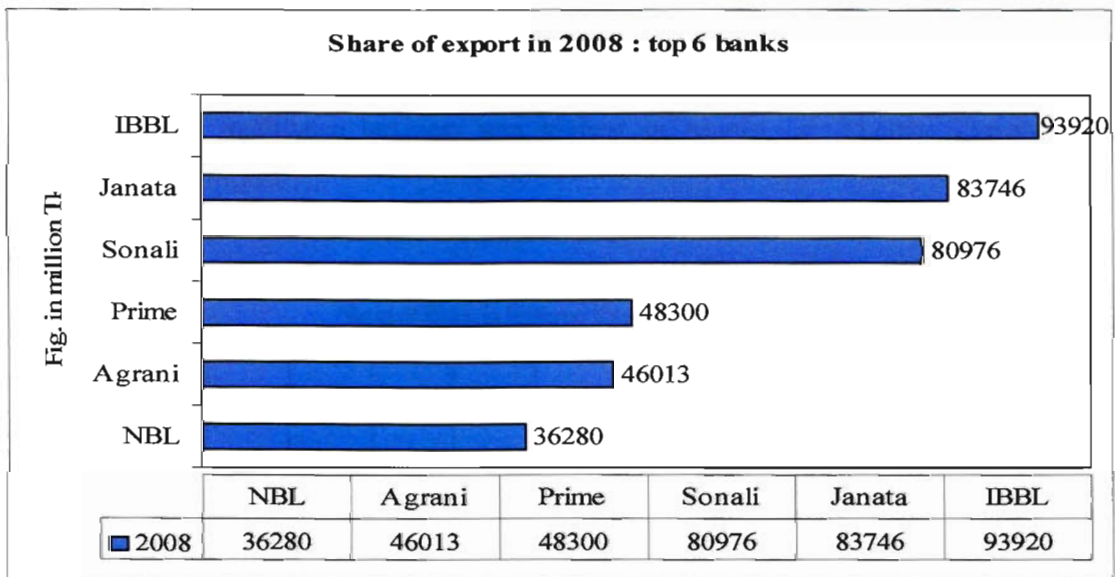


Table: Export-4

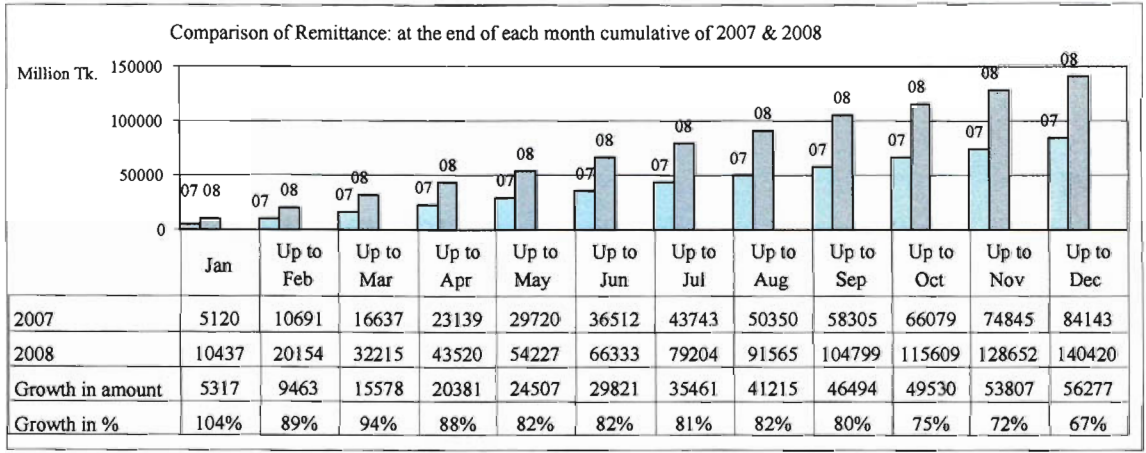
4.3 Remittance business

Through analyzing the remittance business of 2008 the followings are found

4.3(1) Good growth:

Remittance increased in 2008 on an average more that 80% up to September compared to corresponding period 2007.

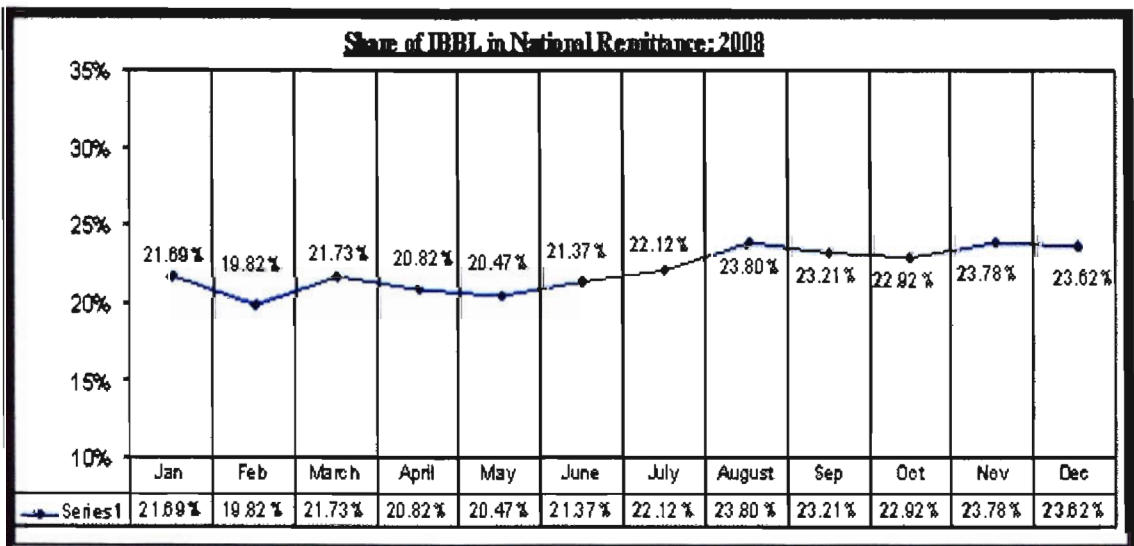
Comparison of Remittance: at the end of each month cumulative of 2007&2008



4.3(3) Market share

Market share of remittance business was highest in August i.e. 23.80%. The average / aggregate share are 23.07.

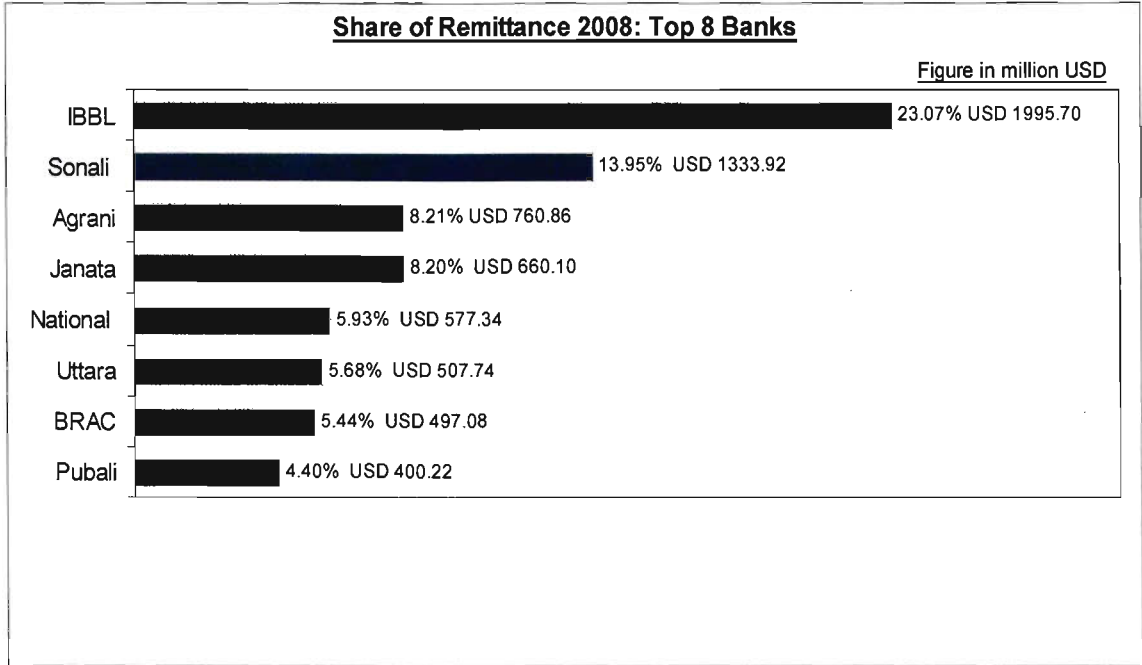
4.3(4) Share of IBBL in national Remittance 2008



4.3(5) Position among banks in remittance business 2008

IBBL has been maintaining top position among all banks in remittance business since 2007 ahead of Sonali, Agrani, Janata & other banks. Last year position is shown in Table:

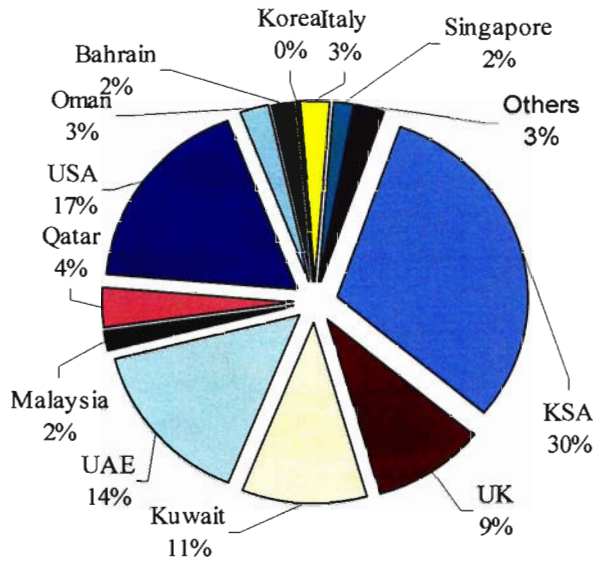
Remittance - 4



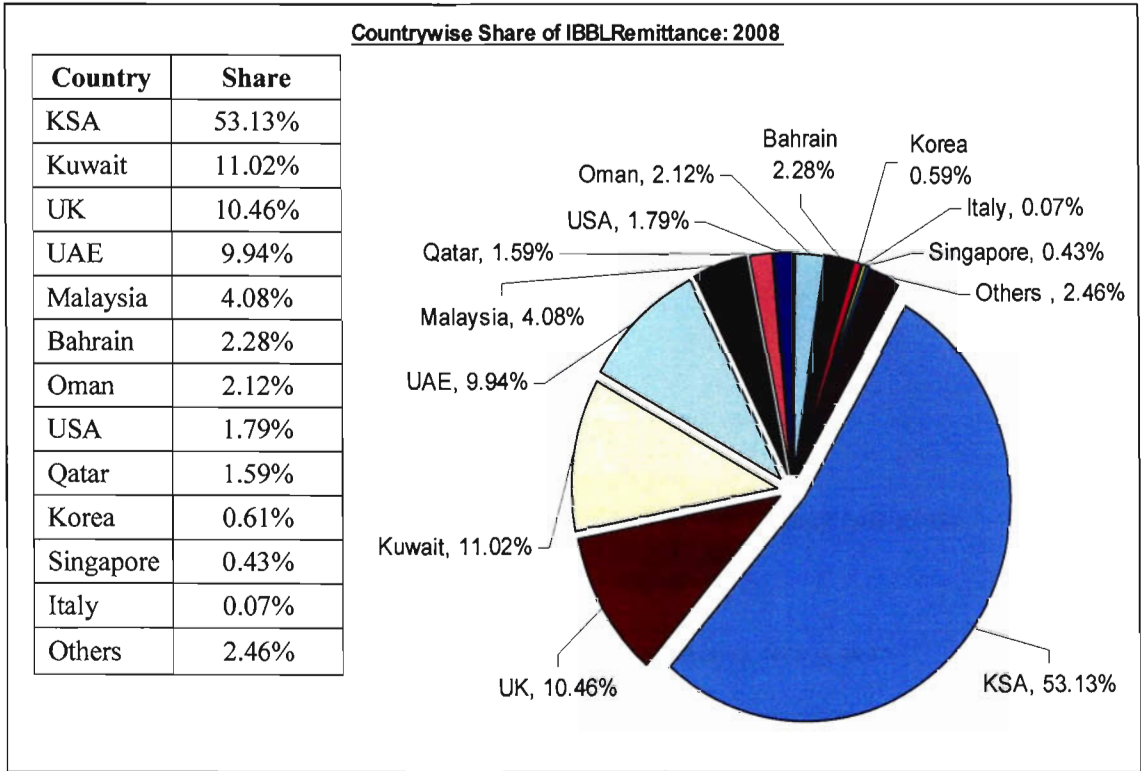
4.3(6) Country wise share of National Remittance for 2008

Countrywise Share of National Remittance: 2008 (up to Oct.)

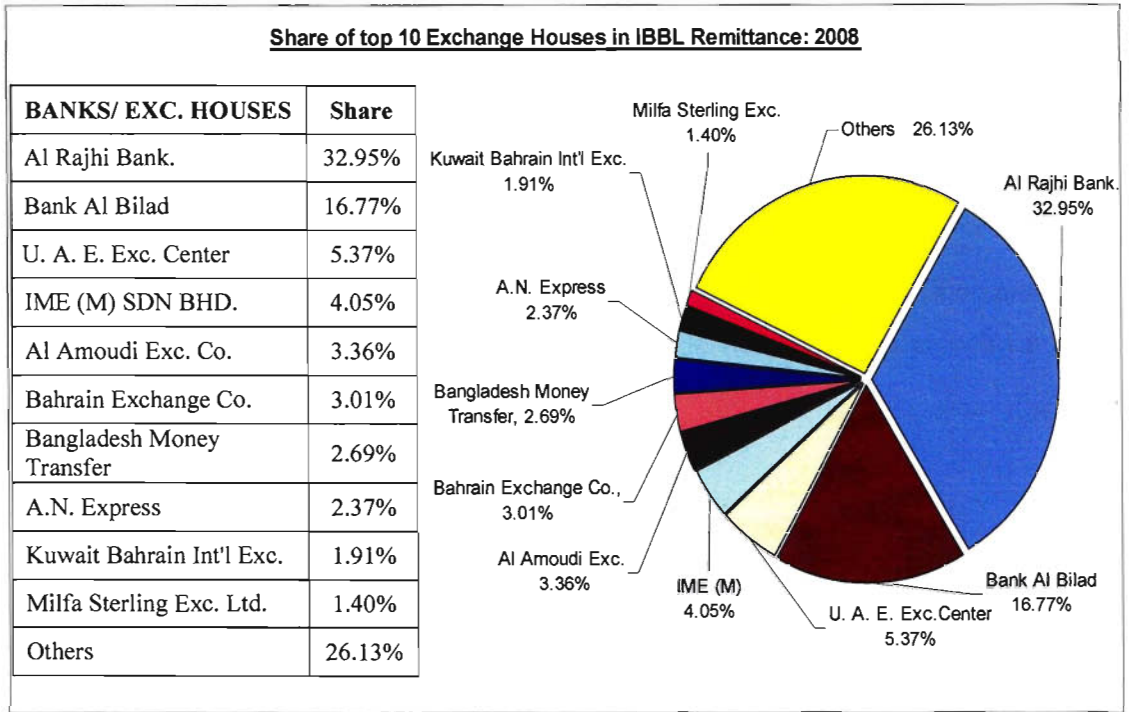
Country	Percentage
KSA	30.50%
USA	17.63%
UAE	14.98%
Kuwait	10.56%
UK	9.47%
Qatar	3.58%
Oman	2.59%
Italy	2.50%
Bahrain	1.89%
Malaysia	1.78%
Singapore	1.69%
Korea	0.23%
Others	2.58%



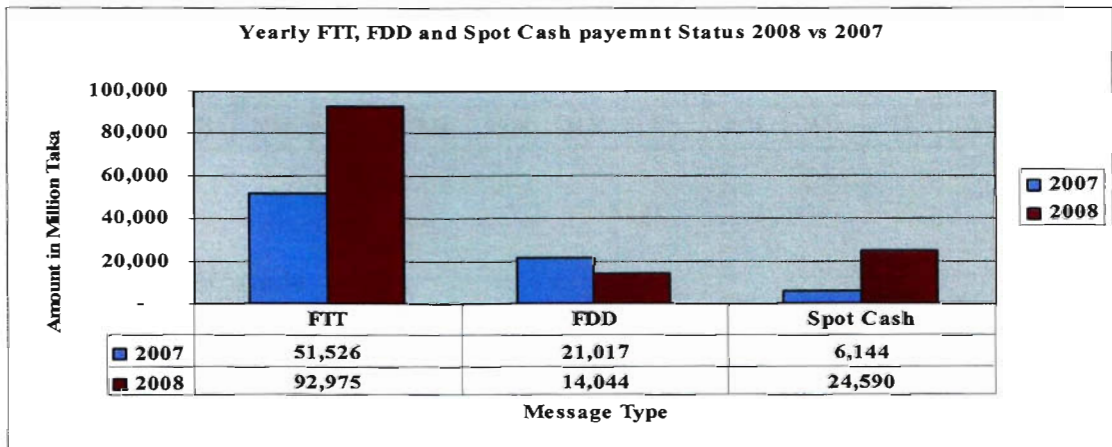
4.3(7) Country wise share of IBBL Remittance for 2008



4.3(8) Share of top 10 Exchange House in IBBL Remittance for 2008



4.3(9) Sharing of FTT, FDD and Spot Cash in foreign remittance business:



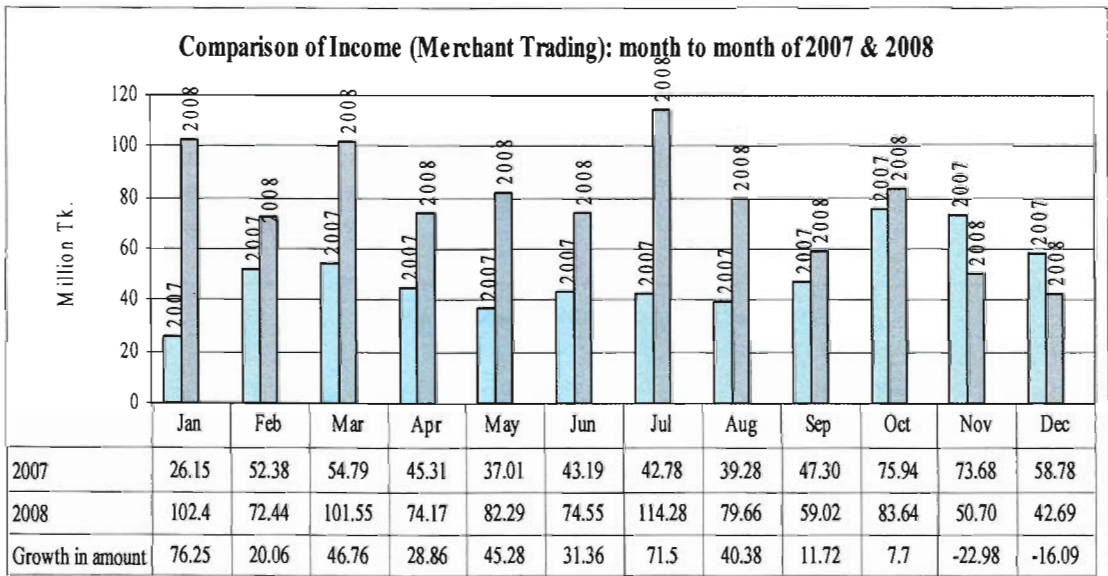
4.4 Treasury (Dealing Room) business:

Dealing room activities is a major source of income of the bank as well as foreign exchange business.

If we analyze the dealing room activities in 2008, we find the followings:

1. Income against merchant trade:

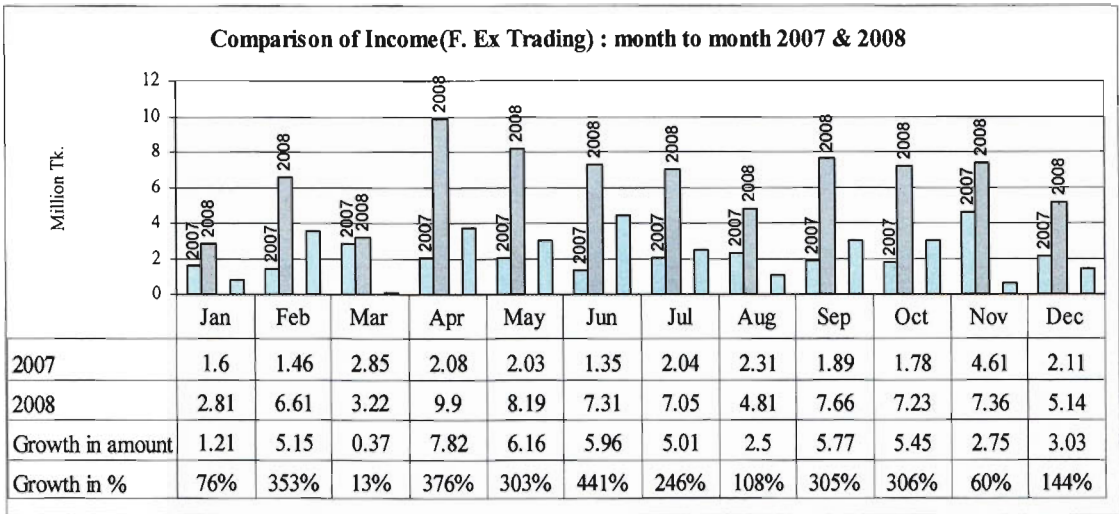
High growth of profit up to August from merchant trade: The growth of profit on month on month basis from January to August from merchant trade was high. The growth came down in the subsequent months.



2. Income against FC trade

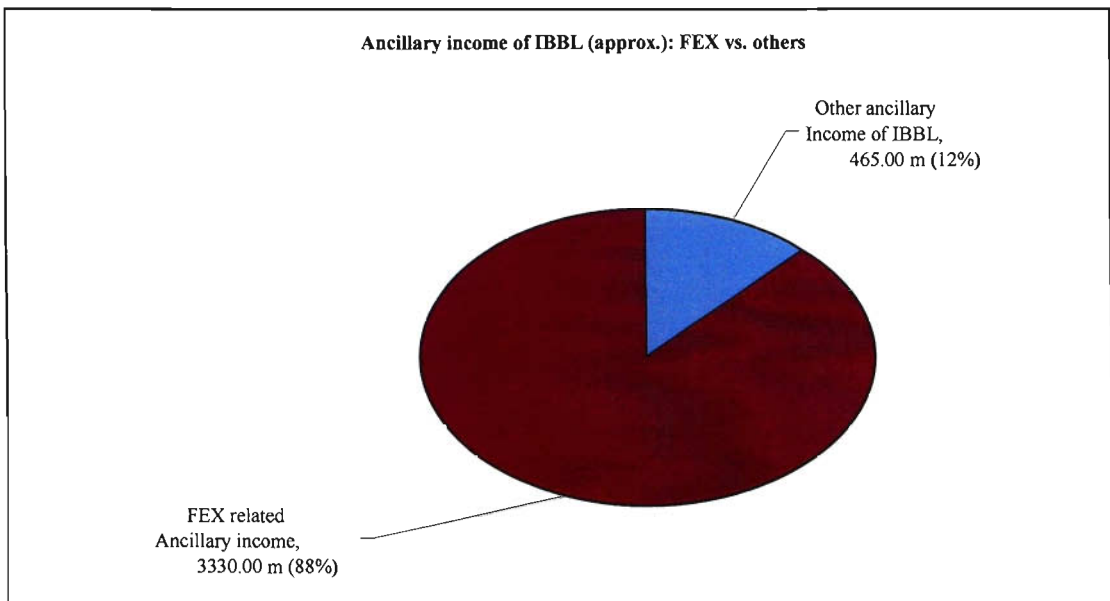
High growth in F.C. Trade: Income from F.C. Trade maintained high growth up to October. The growth however came down to 60% & 144% in November & December.

Comparison of income (foreign exchange trading)

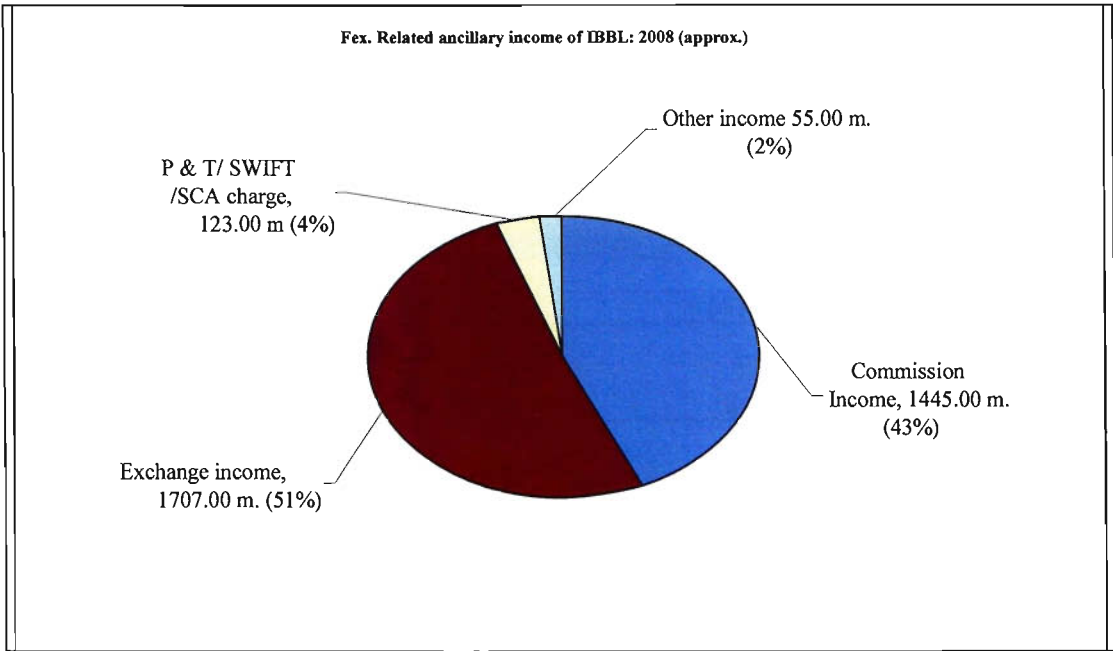


4.5 Ancillary income of IBBL: FEX vs. others

In 2008, total ancillary income of IBBL is 3795.00 million wherein FEX related ancillary income has been the highest portion amounting to Tk.3330.00 million i.e. 88% of total income which is shown below-

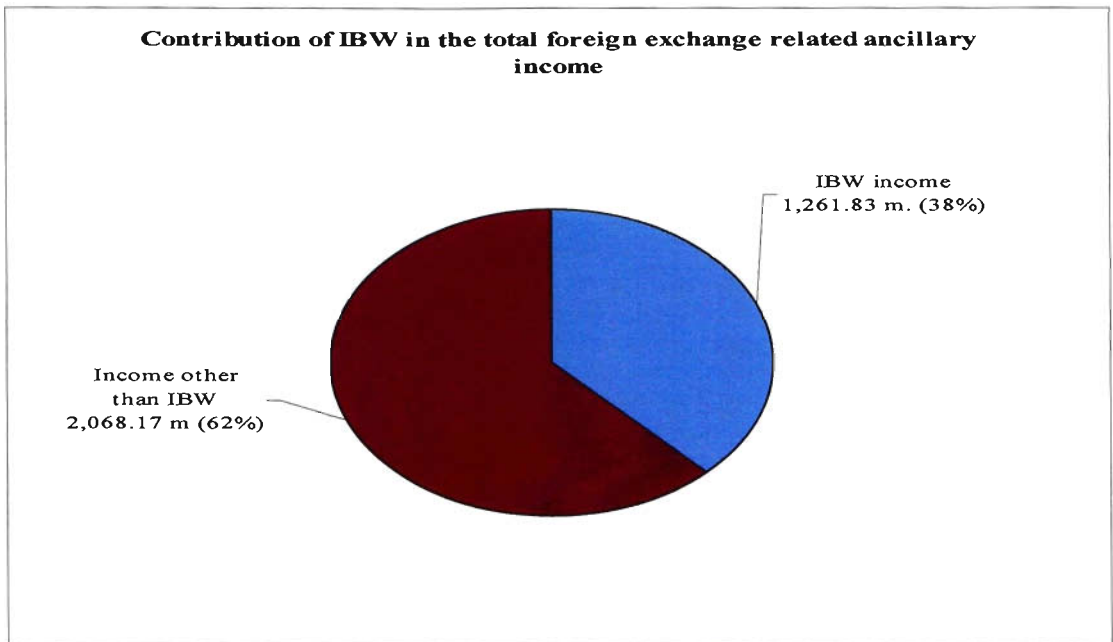


4.5(1) FEX related ancillary income of IBBL: 2008



4.6 IBW income 2008:

Out of total fex related ancillary income of Tk.3330.00 million, IBW contributes 1261.83 million which is 38% of total fex related ancillary income.



4.6(1) Income of IBW and growth over 2007

IBW maintains good growth in exchange income and commission income which are 53% & 167% respectively. But due to non-maturity of overseas investment in 2008, it shows negative growth..

Million Tk.

Head of Income	2007	2008	Growth
Exchange income	761.70	1163.83	53%
Commission Income	31.50	84.90	167%
Overseas inv. Income	21.42	13.10	-39%
Total	814.97	1261.83	55%



Part 5



PROBLEMS & PROSPECTS OF FOREIGN EXCHANGE

CHAPTER-5
(PROBLEMS AND PROSPECTS OF FOREIGN
EXCHANGE)

5.1 Problems effecting overall foreign exchange

1) The problem of forward contract/booking of foreign currency

The value of US Dollars (\$), Pound Sterling, Euro and others are not fixed in Bangladesh, they are fluctuating from time to time. Most of our imports and exports are made in USD and USD being a strong currency always moves upward and the exporters are in better position than the importer in our country. In Bangladesh Forward Booking is required to check the exchange fluctuation for import of heavy/project Machineries where it takes long time say one year or six months to produce the same.

But due to the restrictions of Shariah IBBL can not cover the risk of Exchange fluctuation by forward contract as Forward Booking is not permitted by Shariah. As per Shariah, currency transaction is to be made under certain terms and conditions laid down for “sarf” by Shariah, such as spot possession of both the currencies by both the parties which is not available in forward Booking. It is also prohibited to deal in the forward money market even if the purpose is hedging to avoid loss of profit on a particular transaction effected in a currency whose value is expected to be declined. This problem requires a solution by Shariah experts.

2) Inland Bill Purchase/Foreign Bill Purchase

This is another problem of Islamic Bank where the exporters immediately after export of the goods approach to the bank for fund before maturity of the bills to meet their daily needs. Here the Bank has to deploy billions of Taka each year but how and on what mode of investment. The Bank can not take anything by providing fund to the exporter except collection fee for collection of the Bill, which is very poor.

3) Unfamiliarity with the Islamic Banking System

The first problem is that despite the growth of Islamic banks over the last 30 years, many people in the Muslim and non-Muslim world do not understand what Islamic banking actually is. The basic principle is clear, that it is contrary to Islamic law to make money out of money and that wealth should accumulate from trade and ownership of real assets. However, there does not appear to be a single definition of what is or not an Islamic-banking product; or there is not a single definition of Islamic banking. A major issue here is that it is the

Shariah Councils or Boards at individual Islamic banks that actually define what is and what not Islamic banking is, and what is and what is not the acceptable way to do business, which in turn can complicate assessment of risk for both the bank and its customer. More generally, the uncertainty over what is, or is not, an Islamic product has so far prevented standardization. This is difficult for regulators as they like to know exactly what it is they are authorizing. It is also an added burden on the banks that have to educate customers in new markets.

4) Portfolio Management

The behavior of economic agents in any country is determined partly by past experience and present constraints. The Islamic banks are still growing in experience in many countries. Regarding constraints, Islamic banks in different countries do not freely choose arrangements, which best suit, their need. As a result, their activities are not demand-oriented and do not react flexibly to structural shifts in the economic setting as well as to changes in preferences. It is known to the bank management that a certain portion of the short-term fund is normally not withdrawn at maturity; these funds are used for medium or long-term financing. However, a precondition for this maturity transformation is that the bank be able to obtain liquidity from external sources in case of unexpected withdrawals. Islamic banks, without having an interest-free Islamic money and capital market, have no adequate instruments to meet this pre-condition for effective maturity transformation. On the other hand, Islamic banks can enhance term transformation if there is an interest-free bond market or a secondary market for Islamic financial papers. Adequate financial mechanism still has to be developed, without which financial intermediation, especially the risk and maturity transformation, is not performed properly.

5) The Regulatory environment

The relationship between Islamic banks and monetary authorities is a delicate one. The central bank exercises authority over Islamic banks under laws and regulations engineered to control and supervise both traditional banks. Whatever the goals and functions are, Islamic banks came into existence in an environment where the laws, institutions training and attitude are set to serve an economy based on the principles of interest. The operations of Islamic banks are on a profit and loss share basis (PLS), which actually does not come fully under the jurisdiction of the existing civil laws. If there are disputes to be handled, civil courts are not sufficiently acquainted with the rationale of the operations of Islamic Banking. Regarding the

protection of depositors, Islamic Banks are required to let the authorities know the difference between money paid into current accounts and money paid into investment accounts

6) Absence of Liquidity Instruments

Islamic bank lack liquidity instruments such as treasury bills and other marketable securities, which could be utilized either to cover liquidity shortages or to manage excess liquidity. This problem is aggravated since many Islamic banks work under operational procedures different from those of the central banks; the resulting non-compatibility prevents the central banks from controlling or giving support to Islamic banks if a liquidity gap should occur. So the issue of liquidity management must come under active discussion and scrutiny by the authorities involved in Islamic banking.

7) Use of Advanced Technology and Media

Islamic bank does not have the diversity of products essential to satisfy the growing need of their clients. The importance of using proper advanced technology in upgrading the acceptability of a product and diversifying its application cannot be over emphasized. Given the potentiality of advanced technology, Islamic bank must have to come to terms with rapid changes in technology, and redesign the management and decision-making structures and, above, all introduce modern technology in its operations.

8) Need for Professional Bankers

The need for professional bankers or managers for Islamic banks cannot be over emphasized. Some banks are currently run by direct involvement of the owner himself, or by managers who have not had much exposure to Islamic banking activities, nor are conversant with conventional banking methods. Consequently, many Islamic banks are not able to face challenges and stiff competition. There is a need to institute professionalism in banking practice to enhance management capacity by competent bankers committed to their profession. Because, the professionals working in Islamic banking system have to face bigger challenge, as they must have a better understanding of industry, technology and the management of the business venture they entrust to their clients. They also have to understand the moral and religious implications of their investments with the business ventures.

9) Blending of Approach of Islamic Scholars with the Approach of the Conventional Banker

Bankers, due to the nature of their jobs have to be pragmatic or application-oriented. There is and will be tendency in the bankers practicing in Islamic banks to mould or modify the Islamic principles to suit the requirement for transactions at hand. Additionally, being immersed in the travails of day to day banking, they find little time or inclination to do any research, which can make any substantial contribution to the Islamic banking. Islamic Scholars active in researching Islamic Banking and finance, on the other hand, typically have a normative approach, i.e. they are more concerned with what ought to be. A very few of them are knowledgeable about banking or the needs of the customers.

10) Absence of Islamic Money Market

In the absence of Islamic money market in Bangladesh, the Islamic banks cannot invest their surplus fund i.e., temporary excess liquidity to earn any income rather than keeping it idle. Because all the Government Treasury Bills, approved securities and Bangladesh Bank Bills in Bangladesh are interest bearing. Naturally, Islami bank cannot invest the permissible part of their Security Liquidity Reserve and liquid surplus in those securities. As a result, they deposit their whole reserve in cash with Bangladesh Bank. Similarly, the liquid surplus also remains un invested. On the contrary, the conventional banks of the country do not suffer from this sort of limitations. As such, the profitability of the Islamic banks in Bangladesh is adversely affected.

11) Absence of Suitable Long-term Assets

The absence of suitable long term assets available to Islamic banks is mirrored by lack of short term tradable financial instruments. At present there is no equivalent of an inter-bank market in Bangladesh where banks could place, say, over night funds, or where they could borrow to satisfy temporary liquidity needs. Trading of financial instruments is also difficult to arrange when rates of return are not known until maturity. Furthermore, it is not clear whether Islamic banks in Bangladesh can utilise more exotic instruments, such as derivatives, that are becoming increasingly popular with conventional banks. Obviously, these factors place Islamic banking in Bangladesh at a distinct disadvantage compared to its conventional banking counterpart.

12) Shortage of Supportive and Link Institutions

Any system, however well integrated it may be, cannot thrive exclusively on its built-in elements. It has to depend on a number of link institutions and so is the case with Islamic banking. For identifying suitable projects, Islamic banking can profitably draw the services of economists, lawyers, insurance companies, management consultants, auditors and so on. They also need research and training forums in order to prompting entrepreneurship amongst their clients. Such support services properly oriented towards Islamic banking are yet to be developed in Bangladesh.

13) Organizing Relationship with Foreign Banks

Another important issue facing Islami bank in Bangladesh is how to organise their relationships with foreign banks, and more generally, how to conduct international operations. This is, of course, an issue closely related to the creation of financial instruments, which would be simultaneously consistent with Islamic principles and acceptable to interest-based banks, including foreign banks.

14) Long-term Financing

IBBL stick very closely to the pricing policies of the government. They can not benefit from hidden costs and inputs, which elevate the level of prices by certain entrepreneurs without any justification. On the other hand, IBBL as financial institution is even more directly affected by the failure of the projects they finance. This is because the built in security for getting back their funds, together with their profits, is in the success of the project. Islamically, it is not lawful to obtain security from the partner against dishonesty or negligence, both of which are very difficult if not impossible to prove.

5.2 Problems related with remittance

1. All types of SWIFT messages are handled by a single Operator instead of authorized officials.
2. Swift operators are transferred/ changed without proper substitute.
3. PC Connect at Branches sometimes become inoperative due to inept handling by the operator.
4. Branches do not maintain security password properly.

5. Branches are not taking archive, backup of their message.
6. Branches do not log in timely to receive message from SWIFT server.
7. Some Branches do not send their message in standard formats.
8. Branches do not show their actual income from SWIFT in the statements.
9. There is negative Propagation against Islami Bank Bangladesh Limited.
10. Because of the volatility of the Foreign Exchange Market the remittance inflow has been affected substantially & encouraged remitters to send money through illegal channel.
11. Introduction of new Islamic Banks is another cause of loss.
12. IBBL is facing stiff competition because third generation Bank is entering to the business.
13. Some Banks are marketing aggressively.
14. Due to non automation of all remittance services and logistics supports in some Branches customer services have not yet fulfilled the requirement of Exchange houses.
15. Unskilled manpower is another problem to achieve higher income in remittance.
16. Shortage of manpower.
17. Concentration of remittance operation through a single location.
18. No conduction of the proper market research.
19. Lack of innovation of foreign exchange products.
20. Absence of Client profile and planned steps to be taken.
21. Proper Marketing of the bank in foreign countries.
22. In some Branches mass marketing is being proven problematic to handle.
23. Absence of promotional effort to keep pace with the stiff competition.
24. The higher Exchange rate causes lose in more remittance.
25. Limited transaction to be made.
26. Handling a lot of inactive accounts with no transaction causes problem. .
27. Decrease/fall in foreign currency occurs in huge loss though it happens rarely.

5.3 Problems related with export and import

1. Chambers of Commerce may not permit the sub-section or any of the conditions of the L.C issuing bank. So the exporter may not export the goods to the importer.
2. Some profitable goods are prohibited.
3. Some rules and regulations of government work as barrier for the free flow of remittance, export and import of profitable goods.
4. Unholy intervention of the superior members of various sectors.
5. Some foreign buyers ask for discount showing the reason that quality of goods has not been maintained.
6. Rate is very competitive.
7. Untimely shipment due to lack of backward linkage.
8. Labor problem causes huge problem for the bank.
9. Proprietors do not pay wages to the labor which results in dissatisfaction though they receive the investment from the bank.
10. WTO imposes unjust rules on the transaction system.
11. Uneasiness exists due to handling new IT system.
12. Discontinuity of same type of transaction which occurs in infrequency of work resulting in slow dynamics of work.
13. Delay payment in export.

5.4 Prospects

1) For efficient fund management integrated treasury is very essential. IBBL has adopt the following measures in this regard-

01. Effective integration of treasury.
02. Extending special corporate facilities/exchange rate to the best export and import clients
03. Real time management of Treasury/FC Funds
04. Induction/extension of Inter-Bank Corporate facilities
05. Allowing Limit to the Corporate of other Bank for direct Dealing
06. Exploring new avenues /opportunity to utilize Bank's LCY and FCY
07. Proper market trend analysis
08. Arrangement with top rated new counterparty abroad
09. Advanced Training course for Dealers
10. Relationship building
11. Product development
12. Strategic alliance with Islamic Bank at home & abroad
13. Early Identifying of threat of Earnings/profitability
14. Diversification of treasury products
15. Proper Fund utilization plan
16. Strengthening Corporate desk/Efficient handling of existing corporate clients
17. Risk management
18. Raising awareness not to hold funds

2) To increase income from Foreign Exchange Business the following measures has been taken-

1. To ensure internal consumption of inflow of foreign currency to the maximum amount to gain more exchange income.
2. To increase import Export business in terms of volume & No. of transactions.
3. To ensure rendering all types of F.Ex business services in all AD branches.

4. To allow competitive rate in different areas of business to encourage more volume of business.
5. To increase Bank Guarantee business against counter guarantee of foreign banks.
6. To ensure automated internal Audit to prevent leakage / laps of Income.
7. To route business through correspondents to optimize rebate income.
8. To conduct in-depth study on ancillary income to get insight as to which business area we should put more emphasis on.
9. To revise update and incorporate charge/Commission from time to time to optimize income
10. To reduce cost of transactions/ business through system development optimization of Manpower, Automation etc (simplification of F. Ex. Accounting, Centralization of Foreign Trade).

3) Training & development of Foreign Exchange manpower in Foreign Exchange business

For developed manpower in foreign exchange business IBBL has arranged training programs focusing on the following issues-

1. Need based training to develop professional skill of Foreign Exchange manpower
2. Develop second line/3rd line of leadership in Foreign Exchange manpower
3. Phase-wise training for selected official to work in the foreign trade processing unit
4. To arrange training outside Dhaka under supervision of IBW
5. Arranging training of foreign exchange officials in foreign banks for 3 to 6 months.
6. Up gradation of skill of manpower
7. To arrange IT oriented special training.
8. To arrange training to improve communication skill, leadership skill.
9. Facilitate the processing officials to participate in Internationally accepted/ recognized certificate courses (FIT, CDCS)
10. Arrange special training on spoken English language

4) Strategic Correspondent Relationship/Partnership with Global Banking Community.

In this view, the following measure has been taken:

- Diversification of export proceeds/remittance cover fund
- Streamlining the internet/online access of e-banking solution of correspondents
- Penetrating with middle east based highly rated banks
- Increase the network of correspondents in 10 new countries
- Increase the correspondent relationship with 20 new Banks
- Arrangement of Bank Rating by Fitch/D&B
- Enhancement of Credit Line with Correspondent Banks
- Development of profiles of Correspondent Banks through Software
- Preparation of Terms & Conditions of the Bank for Foreign Correspondents
- Developing standard Profile of IBBL
- Preparation of Profile of Board of Directors
- Reimbursement Centralization
- Correspondent Information in the website of IBBL
- Online access with Nostro correspondents
- Economic updates
- Visiting different banks abroad.

5) To Increase remittance business the following steps has been taken:

Agency Arrangement:

- Tie up with more Exchange House.
- Establishment of arrangement in Jordan, South Africa, Mauritius, Cyprus, Australia, Spain where Bangladeshi expatriates exist and we have no access.
- Expansion of network in Oman, Bahrain, Qatar, Singapore, Italy and Canada and USA.
- Contact with existing Exchange Houses regularly and motivate them to route remittance through IBBL.
- Arrangement of in house training for officials working with remittance operation on communication skills.

Establishment of own Exchange House of IBBL:

- Board has approved the proposal for establishment of IBBL Exchange House in Singapore and Malaysia as category-A, UAE as category-B and USA as category-C.

Opening of Bank's booth at Zia International Airport:

- They are going to open Bank's booth at the arrival point of Zia International Airport.

Marketing and Mobilization

- Additional placement of 20 officials of the Bank in potential countries.
- Implementation of Policy on Employees' deputation abroad.
- Competitive exchange rate to be offered to the exchange houses to attract more remittance.
- Arrangement of visit in different countries for mobilization of foreign remittance
- Releasing Print and Satellite Media Advertisement
- Publication materials for mobilization of Remittance

- Country wise leaflet on Remittance.
- Sponsoring different events abroad.
- Distribution of Brochures, leaflets and arrangement of opening accounts at BMET, BAIRA and such other organization.
- Gift items for tellers.
- Mobilizing Remittance through SME Centers.
- Ensuring better living conditions for the representatives abroad.
- Strengthen capacity at the General Banking Departments of the branches to entertain increased Number of Spot Cash.

Automation

- Introduction of web Application for Spot Cash product.
- Execution of web portal for Exchange Houses and Banks.
- SMS notification on foreign Remittance.
- Spot Cash customer profile in the Branches.
- ATM Card service for Expatriate remittance.
- Awareness growing program for automation.
- Arrangement of workshops on automation centrally and Zonal level.

Product development

- House building Investment product/any Investment product.
- Mudaraba Wage Earners Bond.
- Remittance payment products:
 - Cash door to door.
 - ATM Card Service.
 - Spot Cash arrangement with all Exchange Houses / Banks.

Future Foreign Remittance Service Delivery Options

In order to improve the services of remittance, the Central Hub of the remittance service positioned at Head Office i.e. the FRSD (Foreign Remittance Services Division) has proposed some remittance service delivery options which is given below-

1. **Cash Door To Door**
 - i. Metro Dhaka Level - Cash will be delivered to beneficiary address. Delivery commitment is 24 hrs. Upon receipt of Instant Cash.
 - ii. District Level - Cash delivery with a 48 hour commitment time. This product would cover areas in all the district areas.
 - iii. Ultra Remote Level - Cash delivery to beneficiary addresses with a best effort basis commitment. Areas under Ultra Remote areas normally would be the remote village areas in Bangladesh.
2. **ATM Card**

Bangladeshi expatriates would be facilitated to open an ATM Card Account free of charges. One expatriate beneficiary would be communicated with SMS that his Foreign remittance has already been credited in the account and now he can Withdraw the amounts he requires from the ATM.
3. **POS**

Bank may install 2000 merchant POS outlets in the remote areas so that the expatriate beneficiaries can easily withdraw their remittances.
4. **Cost Free Card**

Customers may be provided a cost free card loaded with remittance sent so that customers can withdraw money from payments centers where there is no branch and ATM of the bank

5. **Cell Phone Banking**
Bangladesh has a huge base of expatriates in foreign countries sending remittances back home. We may plan to link mobile money transfer to electronic payment services.
6. **Online Credit and Status inquiry**
the beneficiary accounts would be credited through online facilities. Status inquiry of remittance transactions can be done real-time via Internet. Agents and tie-ups abroad will have an easy access in inquiring status of remittances of their clients abroad.
7. **24 Hour Call Center**
IBBL would have a plan to set-up a 24 hour call center with toll free numbers. Beneficiaries can inquire about their remittances anytime of the day 7 days a week. Our Call Center representatives would be equipped with high-tech computers to reply customers for any type of inquiry.
8. **Consultation Centre**
The returning workers from abroad would face a difficult situation as to how to utilize his hard-earned money to earn his livelihood. IBBL would set up one Consultation Centre in which the helpless people would find their satisfactory discussion and advices so that they can find out any one solution for the rest of the life.
9. **SME Service Centers**
Increased number of SME Service Centers should be established in remittance prone localities so that accessibility towards the unbanked people may be possible. Easy access to banking service with quick foreign remittance delivery system would usher a new horizon of scopes.
10. **Marketing of Web-based Spot Cash**
They would float their own web-based Spot Cash software for the other Exchange Houses. It would help them penetrate the market share of Spot Cash through the maximum number of Exchange Houses.
11. **Account opening through Web-Portal from abroad** – for maintaining effective connectivity with Exchange houses as well as to keep them informed about the remittance delivery status, new Software is to be developed to introduce a new service named Web- Portal Service. Exchange Houses and customers will be able to see their NRD, NRT accounts, remittance status and also account statements.
12. **Account opening before departure through BMET**- strategic step to be taken for utilization of Infra-structural Supports of Bureau of Manpower, Employment and Training(BMET), Dhaka, a Government institute to motivate the intending expatriates going abroad for foreign employment to open the Bank Account at over different branches before the departure of them out of the country.
13. **Branch level capacity building** – They have achieved in the highest pick in the remittance mobilization of the country. Now on average 10,000 messages per day are received by them of which 35% remittances belong to other bank. Whatever

development so far made at Head Office level can not result in if the branch level delivery centers are not matched with the standard delivery capacity for which capacity development of delivery of the branches need to be well addressed immediately. The elements of the capacity development of the remittance delivery system at branch level are to be categorized for proper development and continuous monitoring.

14. Product Development for expatriate beneficiaries -various investment products may be developed like high profit bearing bond/ fixed deposit, housing investment scheme, insurance policy, pension scheme etc.

15. Market Promotion:

- a) In quest of new remittance avenues initiative should be taken to establish drawing arrangements with exchange houses in Italy, Greece, Sweden, Spain, Germany.
- b) Our representatives may take the initiative for verifying the genuineness of the foreign employment information for the prospective expatriate.
- c) Vocational institute of Islami Bank Foundation may be engaged to provide required short training for expatriate's skill development that in turn will route their remittance through us. Curriculum may be designed in consultation with various recruiting agencies.

16. Advertisement campaign:

It may be adopted in print and electronic media. Box advertisement in a well circulated news paper on regular basis may be introduced.

17. Establishing Hostels for female expatriate: They would establish hostel under IBF and also can take initiative to make them trained in House keeping works from our vocational institute.

6) To increase export business IBBL has adopt the following measures-

1. To increase market share in export items where we have lower market share.
2. To select exporters from the market with good repatriation record and allow them facilities for execution of export.
3. To encourage the existing clients to route entire export business through IBBL.
4. To allow competitive rates to encourage export business.

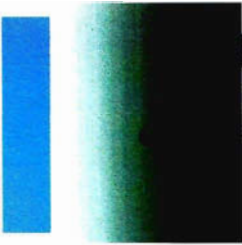
5. To induct new exporter clients who do not require project finance.
6. To ensure close monitoring of the export oriented industries especially in the RMG units.
7. To ensure compliance of the factories.
8. To encourage the SME enterprises to go for export.

7) To increase import business IBBL has adopt the following measures-

1. To identify good performing importers from the market and allow them facilities.
2. For the 1st half of year 2009, they should increase Import business in diversified items.
3. To give Investment facilities against import items which are likely to be recovered within 3 to 6 months
4. Facilities to be given to the clients having good repayment behavior.
5. To induct client who require Working Capital without any Project Finance.
6. To encourage Import Business through Cash retirement and relax charges in this regard.
7. New facilities /Investment may be allowed to selective clients where new gap will be created after recovering of Investment given in 2008.
8. To strengthen marketing activities through formation of teams at Branch and Head Office level to improve business volume in the areas mentioned above.
9. To induct new importer clients from the SME sector clients.
10. To create new importers from SME sector among our existing potential clients.
11. To initiate specific drive especially for import of other items to increase import business.



Part 6



COMMENDATIONS
CONCLUSION

CHAPTER-6
(RECOMMENDATION &CONCLUSION)

6.1 Recommendation

- IBBL should increase skilled manpower to do its financial activities more effectively so that many of the employees do not have to do extra work.
- The Bank should go aggressive advertising and promotional activities to get a broad geographic coverage.
- The authority of IBBL should introduce more innovative and modern customer service.
- Practice amount of doubtful income declined substantially during the year as compared to the past few years, indicating more carefulness of the Management in complying with Shariah. As a result, idle money will be invested to increase potential profit of this Bank.
- Inclusion of more subjects based on the Quran and Sunnah in the Training courses of the Islami Bank Training & Research Academy in order to develop human resources having morally
- Arrangement of monthly / quarterly training courses / workshops for the clients selected by the Branches in order to promote Investment clients of the desired level.
- IBBL should initiates different investment models according to changing / diverse needs of clients by conducting huge Research and study.
- IBBL should utilize “Internship Program” as one kind of promotion policy to encourage its present and potential investment clients. To do so this Bank should provides facilities to the internees through proper placement and practical operations as well as job certainty to those who bring introduce themselves the best performers in doing their particulars.
- IBBL should appoint a sufficient number of women employees to deal women entrepreneurs and professionals and understand their needs and thus create demand for investment.
- To fulfill the vision of “mass banking” this bank should grants investment portfolio to new entrepreneurs / new businessmen new companies etc.
- To gain success in the programs like “poverty Alleviation and “Self Reliant” especially in rural areas, this bank should provides investment facilities on the basis of individual.

- The Bank should disburse total invested money not at once to the clients to achieve full benefits of invested money.
- To create syndicate banking system for foreign exchange business.
- Literature on Islamic capital market may be preserved at IBTRA library.
- Islami Bank Bangladesh Limited (IBBL) doesn't calculate NPV and IRR but they should calculate it.
- Islami Bank Bangladesh Limited IBBL doesn't consider interest rate but they can calculate NPV and IRR as a discounted rate for doing financial analysis.

6.2 Conclusion

Despite tremendous popular support, spectacular success in terms of mobilization of deposit and distribution of profit, Islamic banking in Bangladesh yet to achieve the desired level of success due to the absence of appropriate legal framework for carrying out Islamic banking operation in the country. All the Government approved securities in Bangladesh are interest bearing. Beside 'Islamic money market' is yet to develop. As a result, the Islamic banks, which are committed to avoid interest, cannot invest the permissible part of their statutory liquidity reserve and short term liquidity reserve and short term liquidity surplus in those securities.

Despite of the present limitations, Islamic banking system has tremendous potentiality and prospect in Bangladesh. Firstly, the successful launching and operation of Islamic banks in Bangladesh has established the fact that banking without interest is feasible. Secondly, the launching of Islamic banks has shown the needs of Islamic money market in the country. Thirdly, Islamic banks have brought together many depositors and entrepreneurs under their fold and coverage. These depositors and entrepreneurs so long avoided interest-based banking on grounds of religious injections.

The gradual and successful globalization of Islamic banking coupled with growing awareness of the people about its financial and social benefits makes it clear that the next century is going to be the century of Islamic banking.

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6.4 Acronyms

A/C	Account
AD	Authorized Dealer
B/L	Bill of Lading
BB	Bangladesh Bank
BOE	Bill Of Exchange
CCI&E	Chief Controller of Import & Export
CFR	Cost & Freight
CIB	Credit Information Bureau
CIF	Cost Insurance & Freight
DD	Demand Draft
DP Note	Demand Promissory Note
EPB	Export Promotion Bureau
EXP	Export Form
FC	Foreign Currency
FDD	Foreign Demand Draft
FOB	Free On Board
HS Code	Hannonized system of coding
IBC	Inward Bills for Collection
IBCA	Inter Branch Credit Advice
IBDA	Inter Branch Debit Advice
IMP	Import Form
IRC	Import Registration Certificate
L/C	Letter of Credit
LCAF	Letter of Credit Authorization Form
OBC	Outward Bills for Collection
PO	Payment Order
PSI	Pre Shipment Inspection
SWIFT	Society for Worldwide Inter-Bank Financial Telecommunication
TC	Travelers Cheque
TIN	Tax Identification Number
TR	Truck Receipt

TT	Telegraphic Transfer
STD	Short Term Deposit
FDR	Fixed deposit receipt
CC	Cash Credit
C&F	Clearing & Forwarding
CRF	Clean Report Findings
ERC	Export Registration Certificate
IBCT	Inter branch Credit Transaction
LIM	Loan Against Imported Merchandise
LTR	Loan Against Trust Receipt
PAD	Payment Against Document
SOD	Secured Overdraft
UCPDC	Uniform Custom & Practice for Documentary Credit