Internship Report

on

A Trend Analysis of The Foreign Trade Activities and Operations

of

Al Arafah Islami Bank PLC

An Internship Report submitted in partial fulfillment of the requirements for the Degree of Bachelor of Business Administration (BBA)

Submitted to

Supervised By:

Tama Saha

Assistant Professor

Department of Finance & Banking

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Submitted By:

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ID No.: 12117018

Department of Finance & Banking

Comilla University

Session: 2020-2021

8th Batch

Program: BBA

Department of Finance and Banking

Comilla University

DATE OF SUBMISSION: 20th April 2026

Letter of Submission

Date: 20th April 2026

To
Tama Saha
Assistant Professor
Department of Finance & Banking
Comilla University

Subject: Submission of Internship Report.

Dear Sir,
With due respect I would like to inform you that I have completed my report titled "A Trend Analysis of The Foreign Exchange Activities and Operations of Al Arafah Islami Bank PLC. I am placing my report to you as a requirement of the Program.

This report has been a great pleasure and an extremely interesting and rewarding experience. It has enabled me to get an insight into the practical arena of banking.

Sincerely yours

____

Mohammad Emran Hossan
ID No.: 12117018
Session: 2020-2021
Department of Finance & Banking
Comilla University

Supervisor's Declaration

This is to certify that the research report on **“A Trend Analysis of The Foreign Trade Activities and Operations of Al Arafah Islami Bank PLC”** has been completed by **Mohammad Emran Hossan**, ID No: **12117018**, Session: 2020-2021, as partial fulfillment of the requirements for the Bachelor of Business Administration (BBA) degree from the Department of Finance and Banking, Faculty of Business Studies, Comilla University, Cumilla.

This report has been prepared under my supervision and is a result of authentic work carried out successfully.

Tama Saha

Assistant Professor

Department of Finance and Banking

Comilla University, Cumilla.

Student Declaration

I am Mohammad Emran Hossan, ID No.: 12117018, Department of Finance & Banking, Comilla University hereby declare that the internship report entitled "A Trend Analysis of The Foreign Trade Activities and Operations of Al Arafah Islami Bank has been solely prepared by me under the supervision of Tama Saha, Assistant Professor, Department of Finance & Banking, Comilla University based on the practical knowledge from The Al Arafah Islami Bank PLC.

I also confirm that the report has been prepared for the fulfillment of academic requirements only not for other purpose.

Sincerely,

____

Mohammad Emran Hossan
ID No.: 12117018
Session: 2020-2021
Department of Finance & Banking
Comilla University.

Acknowledgement

It is almighty Allah who enabled me to successfully complete the submission of report on performance appraisal on Al Arafah Islami Bank PLC. A large number of individuals have helped directly and indirectly to prepare this report. I am grateful to them. I am especially grateful to our honorable supervisor Tama Saha, Assistant Professor, Department of Finance & Banking, Comilla University.

To assist me with proper guidance, without his active cooperation the predation of this report could not have been completed.

I am very much grateful to Md. Shajahan Siraj, AVP & Manager of Al Arafah Islami Bank in Chittagong. Mr. Md. Didarul Islam, P.O & Operation Manager and all employees of Shantirhat Branch for helping me to do the project work.

Respiration of my heart profoundly indebted to my parents whose dusk to dawn co-operation helps to build today's platform.

aibl
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shariah based always

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Shantirhat Branch
Mir Super Market, 6 NO.
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E-mail:mgr.shantirhat@aibl.com.bd

AIBPLC/Shantirhat/2026/37 Date: 12-04-2026

TO WHOM IT MAY CONCERN

This is to certify that, **Mohammad Emran Hossan,** student of Department of Finance & Banking at Comilla University, ID No. 12117018. He has been successfully completed his Internship program for a period of 2.5 months from 22th Jan' 2026 to 12 Apr' 2026 on **"Foreign Exchange Operations of Al-Arafah Islami Bank PLC's Shantirhat Branch Chattogram"** during the period of his internship he has been found highly inquisitive, dynamic, intelligent, hard working and forward looking for his assignment. Besides he has acquainted with various norms & regulation of Import, Export & Remittance policy. Moreover he absorbed the idea of compensation and benefit of Banks.

We wish him all success.

(Md. Shajahan Siraj)
AVP & Manager

Md. Shajahan Siraj
AVP & Manager
Al-Arafah Islami Bank PLC
Shantirhat Branch, Chattogram.
AS-708

Executive Summery

Banking system occupies an important place in a nation's economy. In recent times the banking sectors are going through lot of changes due to deregulation, technological innovation, globalization etc. Bangladesh banking sector is struggling in adopting these changes. To thrive well in this changing environment, not only development of appropriate infrastructure is necessary but also infusion of professionalism in to banking service is essential.

This report is an upshot of an internship program conducted on A Trend Analysis of The Foreign Trade Activities and Operations of Al Arafah Islami Bank PLC. Foreign Trade operations of the Al Arafah Islami Bank PLC. played a pivotal role in the overall business development of the Bank. This involves handling of Import and Export business through opening letter of credit, in short L/C and also inward & outward foreign remittance. The Bank provides these services through its branches all over Bangladesh under direct supervision and guidance of its International Division (ID) at Head Office with the help of its huge network of 501 corresponding banks and other financial institutions throughout the world.

Main objectives of the study are to highlight the functions and operations of Foreign Trade department. The report is prepared based on secondary data mainly.

The first chapter of the report discusses about "Background of the study". The second chapter focuses on organization overview, objectives, methodology, scope and limitations. Third chapter is the total description of the "Foreign Exchange Business". Fourth chapter discusses about the "Foreign Trade Operations of Al Arafah Islami Bank" which gives an introduction to the concept of L/C, Import, Export and Remittance. The fifth chapter analyzes the financial performance of the last five years of Import, Export and Remittance business. And the sixth chapter includes findings, some recommendations based on those findings and conclusion of the report.

The findings and recommendations of the study may help the authority in decision making. As the overall growth rate trend of Export-Import operation is increasing day by day, (the Export growth rate is 41% and Import growth rate is 53%) Bank should use efficient technique and improve service quality.

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Chapter: 01

Introduction

1.0 Introduction

The term "bank" historically referred to money-changers who exchanged currencies. In the modern era, a bank is a financial institution that safeguards public deposits and facilitates economic activity by extending loans and investments to generate profit for its shareholders. Like other commercial banks, Al Arafah Islami Bank PLC. (AIBPLC) accepts various deposits-such as demand deposits, savings deposits, and fixed-term deposits-from diverse clientele. While current (demand) accounts offer withdrawal flexibility via cheques, the bank typically charges a nominal fee for this service rather than paying interest, in alignment with its Islamic banking principles.

A core function of AIBPLC is to channel public deposits into loans and advances for individuals, businesses, and investors. These financings are secured against collateral such as personal guarantees, precious metals, and other movable or immovable assets. Common lending instruments include overdraft facilities and bill discounting, which primarily serve to meet the working capital needs of industry and trade. Through these activities, AIBPLC plays a vital role in fostering the growth of various sectors, contributing significantly to broader economic development.

The banking system in Bangladesh has evolved through distinct phases: nationalization, privatization, and ongoing financial sector reforms. This study examines the Foreign Exchange Operations of Al Arafah Islami Bank PLC. within this dynamic and reformed financial landscape. Foreign exchange is a critical and specialized domain within banking, involving the conversion of one national currency into another. It forms the backbone of international trade, which arises from the economic interdependence of nations-for instance, Bangladesh's export of manpower and import of petroleum. The exchange rate, the price of one currency in terms of another, is influenced by a complex mix of domestic and international economic and political factors.

For a bank, the Foreign Exchange Department is not only a key service unit but also a major source of revenue. This report aims to provide an in-depth exploration and analysis of the foreign exchange mechanisms and performance at AIBPLC.

1.1 Background of the study

Foreign Trade is a part of Bank's circumstances. Foreign Trade refers to the general mechanism by which a bank converts currency of one country into that of another country's currency foreign trade gives rise to foreign exchange. Foreign trade is transacted either in the currency of the exporter's country or that of the importer's country or that of a third country acceptable to both the exporter and the importer and the rate of exchange is the price at which a currency can be exchanged for money in terms of another currency. The rate of exchange can be fluctuating for several reasons for may be domestic reasons, can be economic, can be foreign country or may be political interference. The rate can be calculated based on different reasons they are like fixed exchange rate, Flexible exchange rate, Free or floating exchange rate, managed float. The exchange rate may be volatile. Volatility represents the degree to which a variable changes overtime. The larger the magnitude of a variable change or the more quickly it changes overtime, the more volatile it is. Since fixed exchange rates are not supposed to change by definition- they have no volatility. A floating exchange rate may or may not be volatile depending on how much it changes overtime. However, since floating exchange rates are free to change, they are generally expected to be more volatile. Volatile exchange rates make international trade and investment decisions more difficult because volatility increases exchange rate risk. In order to achieve the optimum level of efficiency, returns and most important controls there are certain processes that the organization's management must put in place. The main objectives of dealing room are to exchange rate fluctuation risk management, interest rate risk management, liquidity management, earns maximum profit with minimum loss. Foreign exchange controls are various forms of controls imposed by the government on the purchase/sell of foreign currencies by residence of on the purchase/sell of local currency by non-residence. Common foreign exchange controls:

1. Banning the use of foreign currency within the country.
2. Planning the locals from processing foreign currency
3. Restricting currency exchange to government-approved exchangers.
4. Fixed exchange rates.
5. Restrictions on the amount of currency that may be imported or exported.

1.2 Objectives of the study

The objective of the report is to evaluate the foreign exchange performance of Al-Arafah Islami Bank PLC. The specific objectives are:

i. To analyze foreign trade activities and operations of Al-Arafah Islami Bank PLC.
ii. To investigate the foreign trade performance of Al Arafah Islami Bank PLC from 2019 to 2023.
iii. To find out the foreign remittance activities of Al Arafah Islami Bank PLC

1.3 Methodology of the study

The type of method used in this report is mainly of a descriptive nature. To meet the objectives of the study, I realized that a single method would not be effective. Formal & oral discussion, direct observation, and printed papers of the Bank were found useful. Both primary and secondary sources were used here.

1.4: Nature of Study:

This is exploratory type of research. Information has collected and finish the report in both Primary and Secondary sources.

1.5: Sources of Data Collection:

The data are collected from two sources -

1.5.1:Primary sources:

 Practical banking work.

 Discussion with the employees of the Al Arafah Islami Bank PLC.

 Personal Observation.

1.5.2: Secondary sources

 Annual report, publications, training materials

 Periodical statements of the bank, brochures, booklets etc.

 Official Website of the Al Arafah Islami Bank PLC and Bangladesh Bank.

 Documentary file of the Al Arafah Islami Bank PLC.

1.4 Scope of the study

Banking Sector is a robust and sensitive area. A Bank has different products, different services and different customers. Different departments of a Bank perform different activities. However, scope of the study is PLC within a specific area of an organization that is Al Arafah

Islami Bank. This study covers only performance of Foreign Exchange of Al Arafah Islami Bank.

1.5Significance of the study

2. Evidence-based management decisions
A trend study moves beyond snapshots. It shows whether LCs, export/import financing, remittance-linked trade, and FX operations are consistently growing, declining, or fluctuating. For Al Arafah's management, this means policies can be based on patterns, not just the last quarter's results.

2. Risk identification and mitigation
Foreign trade exposes the bank to currency risk, settlement risk, and country risk. A trend analysis reveals if problematic patterns are emerging: rising LC discrepancies, increasing overdue trade bills, or over-reliance on one market/currency. That lets the bank tighten controls before losses occur.

3. Strategic alignment with Bangladesh's trade flows
Bangladesh's exports and remittance corridors shift over time. The study identifies which regions, industries, and currencies show sustained growth. Al Arafah can then align its Murabaha, Bai-Muajjal, and Ijarah trade products with those flows instead of spreading resources thinly.

4. Shariah compliance and accountability
As an Islami bank, Al Arafah must demonstrate that trade operations remain free of Riba and comply with Bangladesh Bank regulations. A trend study documents this over time, providing evidence for the Shariah Supervisory Committee and regulators, and reducing compliance/audit risk.

5. Profitability and efficiency insight
Trends in fees, commission income, FX spreads, and operating costs show where trade services are profitable or leaking value. If the study shows declining margins on LCs, the bank can consider automation, repricing, or new fee-based services to restore profitability.

6. Academic and industry contribution
For researchers and banking students, this study provides a case-specific view of how Islamic banking principles are applied in foreign trade. It fills a gap: most trade literature focuses on conventional banks, so Al Arafah's data offers insight into how Shariah-compliant trade finance performs in a developing economy. *Bottom line*: The significance of the study is that it turns Al Arafah's foreign trade records into foresight. It helps the bank protect against risk, capture growth opportunities, meet compliance standards, and improve profitability while staying true to Islamic finance principles.

1.6 Limitation of the Study

The following limitations are apparent in the report:

- Time is the first limitation as the duration of the program was of three months only.
- Insufficient supply of relevant books and journals.
- As the officers are very busy with their daily work, they could provide very little time.
- Audit from Bangladesh Bank and Head office made difficult to collect data, talk with bank's employee and with parties.
- Another limitation of this study is Bank's policy of not disclosing some data and information for obvious reason, which could be very much useful.

1.7 Literature Review

In this study, a comprehensive review of existing scientific literature was conducted to examine the relationship between capital structure and firm profitability, particularly in the context of banking and financial institutions. Several empirical studies from different countries and industries were analyzed, each employing various dependent and independent variables, statistical techniques, and theoretical frameworks. The findings of these studies were compared and contrasted, and research gaps were identified to provide a foundation for the current research on foreign exchange operations and financial performance in Islamic bank.

Li, Niskanen, and Niskanen (2019) examined the moderating effect of credit risk on the relationship between capital structure (measured as long-term debt to total assets) and firm performance (pre-tax profit to total assets) in small and medium-sized enterprises across ten European countries, including Austria, Belgium, Finland, France, Germany, Italy, Portugal, Spain, Sweden, and the UK. Using ordinary least squares regression, logistic regression, and instrumental variable 2SLS methods on cross-sectional data for the 2012 fiscal year, the study found that the relationship between capital structure and performance is significantly determined by an SME's credit risk status, suggesting that firms with higher credit risk exhibit different leverage-performance dynamics.

Magnesite Rahway, Suhadak, and Safi (2019) investigated the mutual relationship between capital structure and profitability and its impact on corporate values using general structural component analysis on data from 33 manufacturing companies listed on the Indonesian Stock Exchange from 2008 to 2015. The results indicated that corporate profitability, measured by return on investment, return on equity, and net profit margin, has a significant negative influence on capital structure indicators such as short-term debt to total assets, long-term debt to total assets, and debt-to-equity ratio, implying that highly profitable firms tend to use less debt compared to low-profit firms.

Dalci (2018) explored how capital structure affects the profitability of Chinese firms by analyzing annual financial data of 1,503 listed manufacturing firms from 2008 to 2016. To control for potential endogeneity, the study employed a simultaneous equation method followed by panel data regression techniques including OLS, fixed effects, first difference, random effects, and two-step generalized methods of moments. The study demonstrated that the influence of capital structure on profitability follows an inverted U-shaped pattern, where the positive effect may be attributed to tax shield benefits, while the negative effect may result from bankruptcy costs, financial distress, acute agency problems, and information asymmetry.

Siddique, Kabiraj, and Joghee (2017) conducted a similar study on the banking sector of Bangladesh, examining bank-specific factors such as liquidity and size alongside capital structure variables. Their findings revealed that capital structure has a significant impact on bank profitability, with leverage ratios showing a negative relationship with return on assets and return on equity, suggesting that Bangladeshi banks relying heavily on debt financing tend to experience lower profitability due to increased interest expenses and default risk .

Vătavu (2015) analyzed the relationship between capital structure and corporate performance for 128 Romanian companies listed on the Bucharest Stock Exchange from 2003 to 2012 using panel data regression methods. The study found that long-term debt negatively affects firm performance measured by return on assets and return on equity, while short-term debt shows a positive but weak relationship, indicating that Romanian firms benefit more from short-term financing due to lower agency costs and greater flexibility .

Gill, Biger, and Mathur (2011) examined the impact of capital structure on profitability of 272 service sector firms in the United States over a three-year period from 2005 to 2007. Using correlation and regression analysis, the study found a positive relationship between short-term debt to total assets and profitability, but a negative relationship between long-term debt to total assets and profitability, suggesting that service firms can enhance profitability by utilizing more short-term financing rather than long-term debt.

Zeitun and Tian (2007) investigated the effect of capital structure on corporate performance of 167 Jordanian companies listed on the Amman Stock Exchange from 1989 to 2003. Using panel data analysis, the study found that capital structure variables, particularly short-term debt and total debt, have a significant negative impact on corporate performance measured by return on assets, return on equity, and market-to-book value ratio, while long-term debt showed an insignificant relationship, reflecting the unique economic and institutional environment of Jordan.

Abor (2005) examined the relationship between capital structure and profitability of 22 Ghanaian listed firms from 1998 to 2002 using ordinary least squares regression. The study revealed a positive relationship between short-term debt and profitability measured by return on equity, but a negative relationship between long-term debt and profitability, indicating that Ghanaian firms rely more heavily on short-term financing to support their operations and growth due to underdeveloped long-term debt markets.

Margaritis and Psillaki (2010) studied the relationship between capital structure, firm performance, and efficiency for French manufacturing firms using data envelopment analysis and simultaneous equation models. Their findings showed that more efficient firms tend to have lower leverage, supporting the pecking order theory, and that the relationship between capital structure and performance is bidirectional and significantly influenced by firm-specific characteristics such as size, age, and industry concentration.

Titman and Wessels (1988) conducted a seminal study on the determinants of capital structure choice for 469 U.S. manufacturing firms from 1972 to 1982 using factor analysis and linear structural relationships. They found that profitability is negatively related to debt ratios, supporting the pecking order theory, while short-term debt is positively related to firm size and negatively related to profitability, providing foundational evidence that continues to inform contemporary capital structure research.

These reviewed studies collectively indicate that the relationship between capital structure and profitability is context-dependent, varying across industries, countries, time periods, and firm-specific characteristics such as credit risk, size, and efficiency. Most studies support a negative relationship between leverage and profitability, consistent with the pecking order theory, while some studies identify non-linear patterns or positive effects under certain conditions. However, few studies have specifically examined the foreign exchange operations of Islamic banks in Bangladesh, creating a research gap that the current study aims to address..

Chapter – 2

An overview of Al Arafah Islami Bank PLC.

2.0 Historical Background of Al-Arafah Islami Bank PLC.

Al-Arafah Islami Bank PLC has been established and functioning with effect from 27th September 1995 as a schedules commercial Bank of Bangladesh strictly based on Islamic Shariah principles.

Islamic Banking has been operating in more than 70 countries of the world including Bangladesh through 218 institutions. It has in the meantime established its beneficial approach and efficiency on operation. Islamic Banking system has its inborn inner strength as follows:

It gives a fixed percentage of investment income to the depositors. Therefore, in order to give better rate of profit its investment portfolio is managed properly so that better investment income can be earned and paid to the depositors.

The Management cost is to be borne out of a fixed portion of investment income and service charge earned by the bank. Therefore, efficient customer services and better portfolio management are required to be ensured by the management.

The depositors can calculate their interest income to be earned from conventional banks and thereby make expenditure with consequential inflation which the depositors of Islamic Bank cannot do as they cannot foresee profit income.

Since Islami Bank invests its fund in different Islamic Modes of Finance particularly in Mudaraba and Musharaka and also accepts deposits on Mudaraba principle, entrepreneurship as well as sense of belongingness to the Bank is developed.

In buying &Selling modes of financing like Murabaha, Bai-Muajjal, Izara, enduses is ensured strictly as per principles of Islamic Shariah. Thus funds cannot be diverted for other purpose.

Islami Bank attaches importance to human resources development. As such the employees are trained discreetly, in this regard on which the conventional Bank does not give much importance.

2.1 Company Profile

Name of the Company:	Al-ArafahIslami Bank PLC.
Legal Identity:	A public PLC company registered in Bangladesh on 18th June 1995, under the companies Act 1994 and enlisted in Dhaka Stock Exchange PLC. & Chittagong Stock Exchange PLC
Nature of Business:	Commercial Banking based on Al-Quran &Sunnah
Registered Office:	Head Office: Al Arafah Tower 63 Purana Paltan, Dhaka-1000.
SWIFT Code:	ALAR BD IS (means Branch Code)
E-Mail:	AIBPLC@al-arafahbank.com
Webpage:	www.al-arafahbank.com
Auditors:	Hoda Vasi Chowdhury Chartered Accountant BMTC Bhaban, Level-8, 7-9, Kawran bazaar, Dhaka-1100 Siful Shamsul Alam Chartered Accountant Paramount Heights, Level-6 (Box Culvert Road) 65, 2/1 Purana Paltan Dhaka-1100

2.2 Mission & Vision

Mission

Achieving the satisfaction of Almighty Allah both here & hereafter.
Proliferation of Shariah Based Banking Practices.
Quality financial services adopting the latest technology.
Fast and efficient customer service.
Maintaining high standard of business ethics.
Balanced growth.
Steady & competitive return on shareholders' equity.
Innovative banking at a competitive price.
Attract and retain quality human resources.
Extending competitive compensation packages to the employees.
Firm commitment to the growth of national economy.
Involving more in Micro and SME financing.

Vision

To be a pioneer in Islamic Banking in Bangladesh and contribute significantly to the growth of the national economy.
“To make our customers prosper, our staff excel and to create value for our stakeholders.”

2.3 Value &Commitments

Value

AIBPLC values are based upon the fundamental principles that define our culture and are brought life in our attitude and behavior. It is their values that make us unique and seem from five basic principles:

Excellence: The market is which AIBPLC operate is becoming increasing competitive and their customers now have abundance of choice.

Integrity: AIBPLC success depends upon trust. Their customers are society in general expect us to process and steadfastly to high moral principle and profession standard.

Customer focus: AIBPLC need to understand fully the needs of their customers and to adapt our product and service to meet these.

Meritocracy: AIBPLC believes in giving opportunities and advantage to its employee son the basic of their ability.

Progressiveness: AIBPLC believes in the achievement of society through the adoption of enlightened working practice innovative new product and process a sprite of enterprise.

Commitments

AIBPLC is a customer focused modern Islamic Bank making sound and steady growth in both mobilizing deposit and making quality Investment to keep our position as a leading Islamic Bank.

In Bangladesh, to deliver financial services with the touch of our heart to retail, small and medium scale enterprises, as well as corporate clients through our branches across the country. Our business initiatives are designed to match the changing trade & industrial needs of the clients.

2.4 Objective of Al-Arafah Islami Bank PLC.

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.

The objectives of Islamic banking are not only to earn profit, but to do good and welfare to the people. Islam upholds the concept that money, income and property belong to Allah and this wealth is to be used for the good of the society.

An Islamic bank is committed to do away with disparity and establish justice in the economy, trade, commerce and industry; build socio-economic infrastructure and create employment opportunities.

2.5 Special Characteristics

All activities are conducted on interest-free system according to Islamic Shariah Principles.

Investment is made through different modes as per Islamic Shariah

Investment Income of the Bank is shared with the Mudaraba depositor according to an agreed upon ratio ensuring a reasonably fair rate of return on their deposits

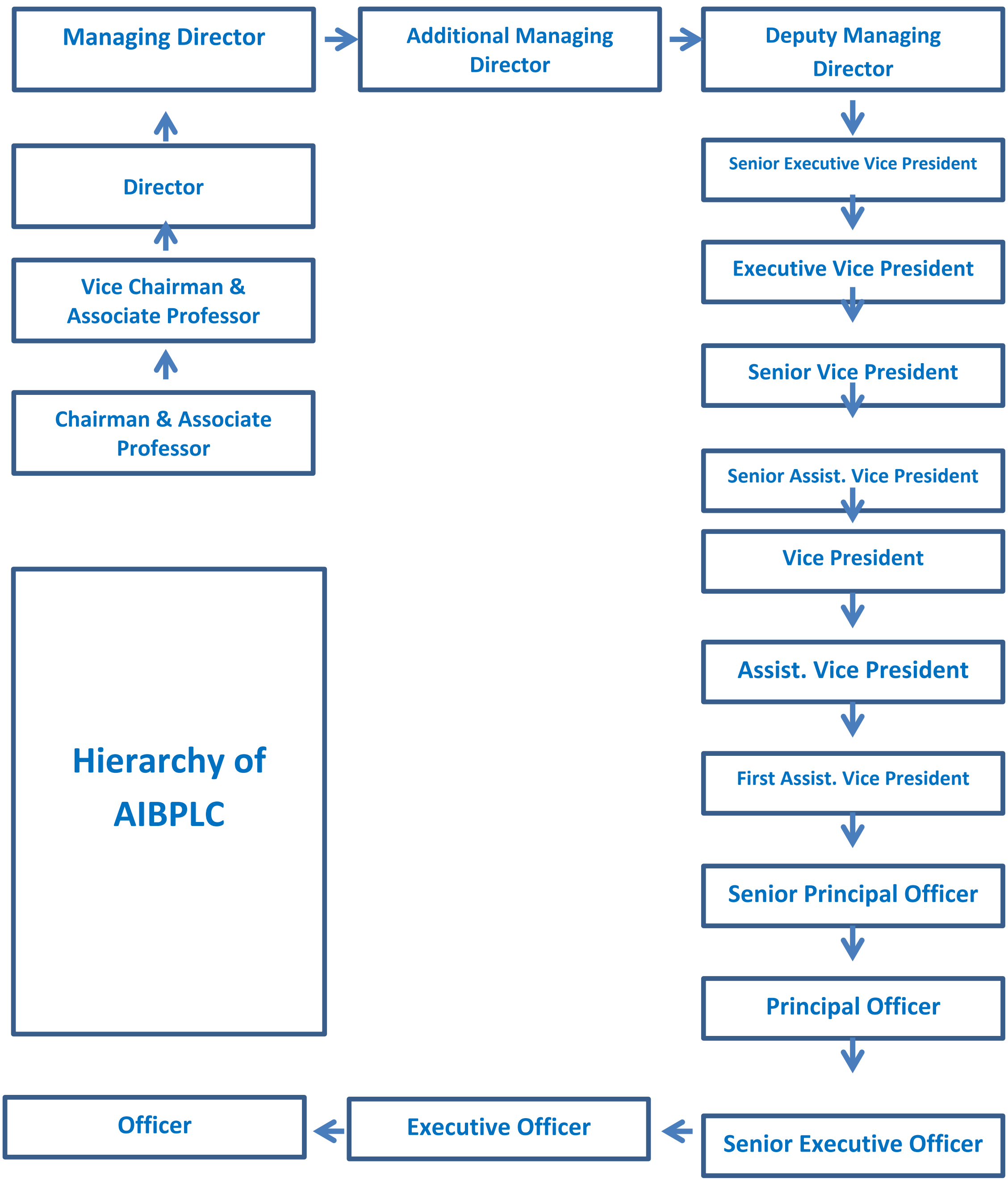
To introduce a welfare-oriented banking system and also to establish equity and justice in the field of all economic operations

Extend socio-economic and financial services to individuals of all economic backgrounds with strong commitment in rural uplift.

Plays a vital role in human resources development and employment-generation particularly among the unemployed youths.

Portfolio of investment and investment policy have been specially tailored to achieve balanced growth and equitable development through diversified investment operation particularly in the priority sectors and in the less developed areas of the national economy.

2.6 Organ Gram of Whole AIBPLC

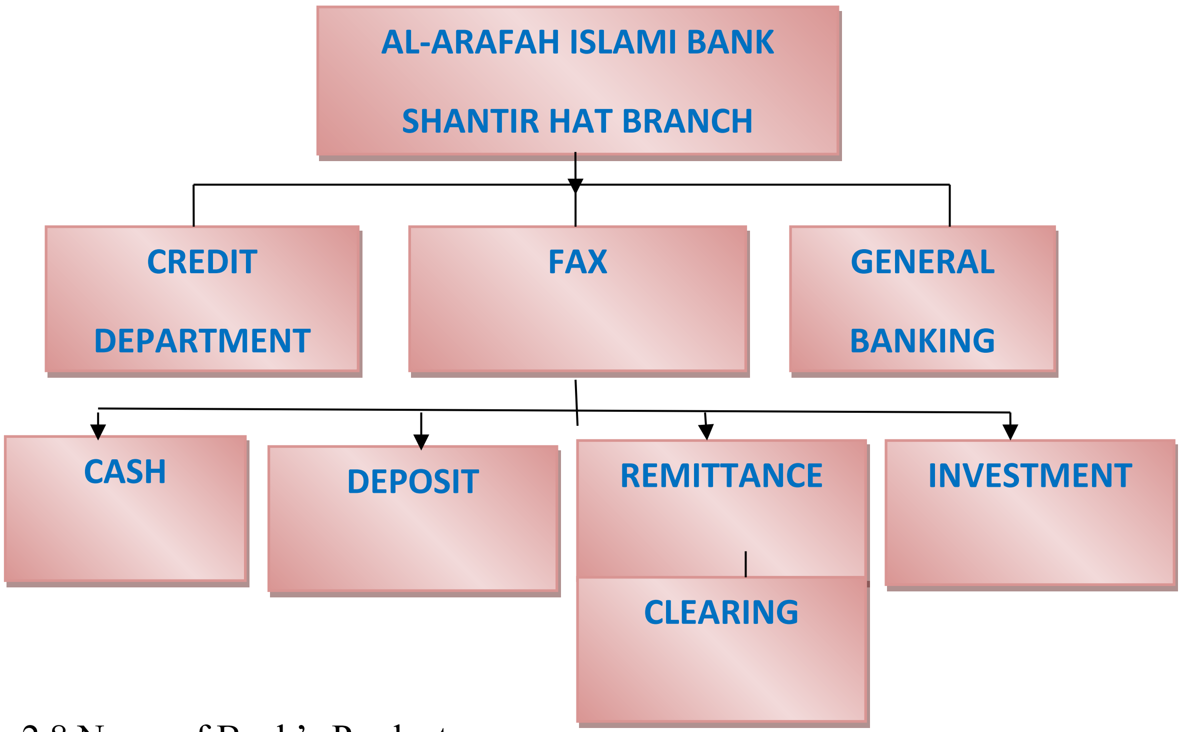


2.7 Branch Description

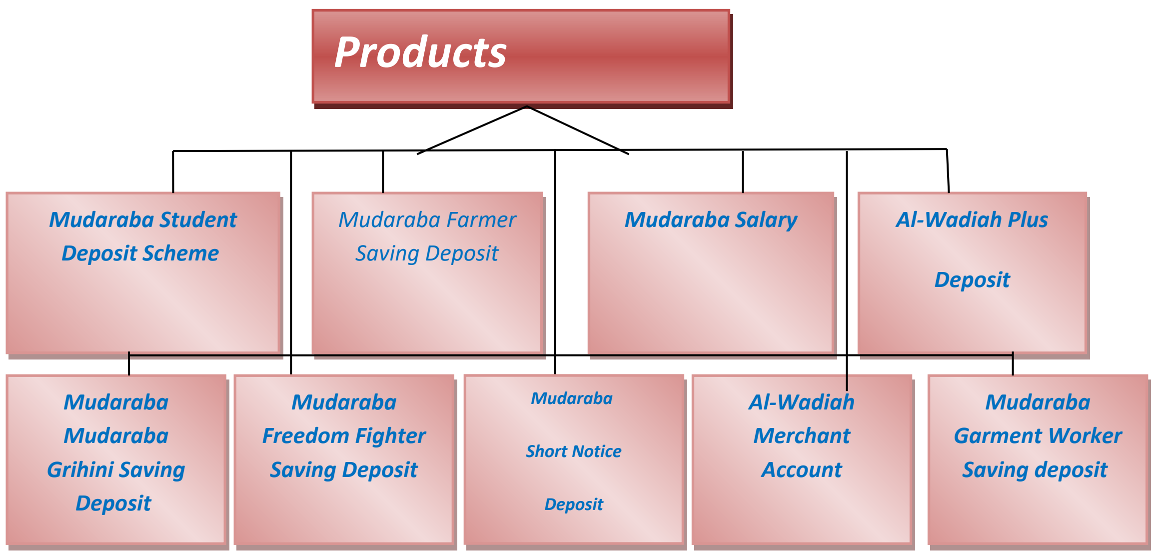
Al-Arafah Islami Bank, Shantirhat Branch started its operation at November 30, 2021 Shantirhat, Patiya, Chattogram. The branch is well decorates that can accommodate good customers comfortably. 25 employees work in this branch. Branch has efficient human resources that can meet up customer's needs. Prompt, cordial & enthusiastic service satisfies almost all customers.

Now a day, under the charge of Md. Shajahan Siraj, FAVP & Manager the branch has been performing very well. Under his efficient handing, the branch has already been able to introduce itself as one of the best among all other branches of AIBPLC.

Main department of Shantirhat Branch



2.8 Name of Bank's Products



2.9 Classification of Bank's Products

Products and services of AIBPLC can be described in three dichotomies:

Deposit Schemes -

- Al-Wadiah Current Deposit
- Mudarabah Saving Deposit
- Mudarabah Short Notice Deposit
- Mudarabah Savings Scheme:-
    - Mudarabah Term Deposit (MTDR)
    - Mudarabah Monthly Installment Term Deposit (ITD)

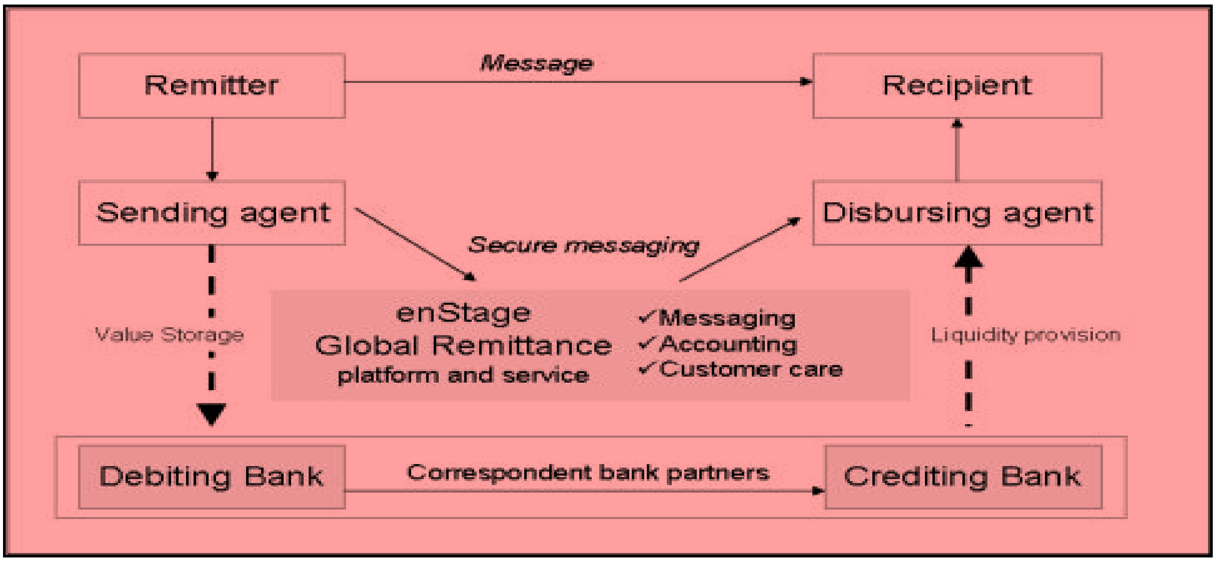
Investment Schemes -

- Bai-Murabah (Deferred Lump Sum/Installment sale)
- Bai-Muajjal (Deferred Installment/ Lump sum sale)
- Musharaka (Joint Venture Profit Sharing)
- Mudaraba (Trustee Profit sharing)

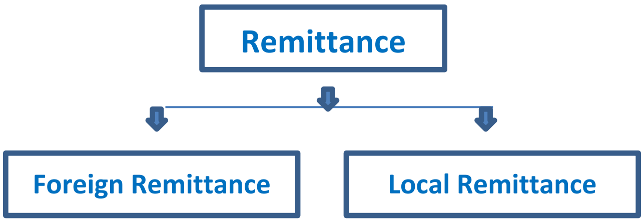
Others - Letter of Guarantee, Tender & Performance Guarantee.

2.10 Remittance Section

Client need to remit money from one place to another for their business or their purposes. Banks fulfill this need of customers by means of remittance service. Money can be remitted domestically or internationally, which known as local remittance and foreign remittance. The process of Remittance is given below with diagram:



Types of Remittance:



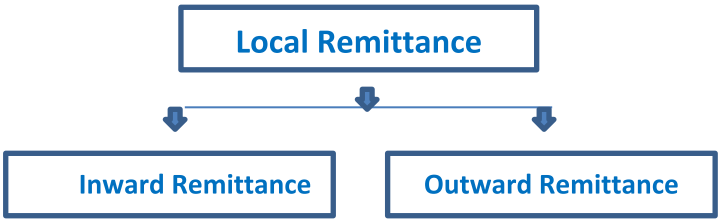
Foreign Remittance

A remittance is a non-commercial transfer of money by a foreign worker, a member of a diaspora community, or a citizen with familial ties abroad, for household income in their home country or homeland.

Local Remittance:

Send money to relatives or colleagues. Remittances are possible from one MOB account or cash to another or from an MOB account to other banks which have partnered with MOB

Types of Local Remittance:



There are two modes transferring fund domestically. The modes are:

❶ Pay Order (PO):This is an instrument issue by the branch of a bank for enabling the customer/purchaser to pay certain amount of money to the order of a certain person/organization within the same clearing house area of the pay order issuing branch.

❷ Demand Draft (DD): This is an instrument through which customer's money is remitted to another person/organization in outside the clearing house area from a branch of one bank to an outstation branch of the same bank or to a branch of another bank.

2.11 Services

- Online any Branch Banking

AIBPLC have set up Wide Area Network through Radio, Fiber-Optics & other available communication media systems to provide any branch banking to our customer. Customer of one branch is now able to deposit & withdraw money at any of AIBPLC branches.

- SMS Banking

Al-Arafah Islami Bank PLC. has officially launched SMS banking service from December 17, 2007.

- ATM Banking

AIBPLC has implemented successfully Automated Teller Machine (ATM)/ DEBIT card transaction from June 25, 2008. Through ATM/ Debit card, customer can avail the facilities like withdrawal money, balance inquiry and purchase goods from point of sale (POS).

- Locker Service

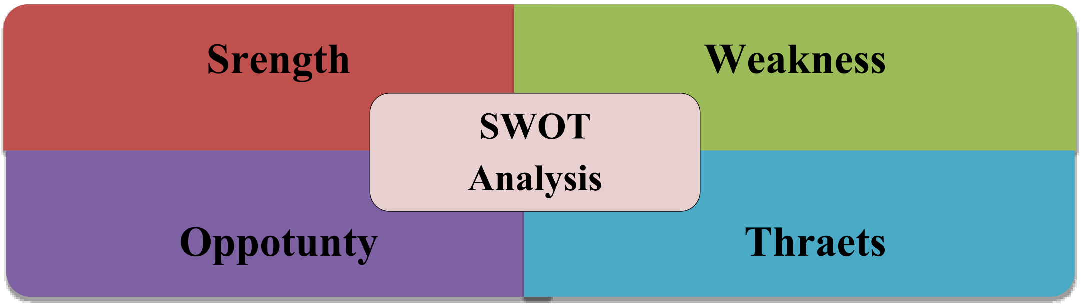
For safekeeping of customer's valuables like important documents & goods like jewelries and gold ornaments, AIBPLC Locker Service is available in most of the branches in urban areas.

2.12 SWOT Analysis

From the SWOT analysis we can figure out the outgoing scenario of the AIBPLC. That is by doing SWOT analysis. It is possible to find out the Strength, Weakness, opportunities and Threats of the AIBPLC (Shantirhat Branch). So to have a better business practice of AIBPLC (Shantirhat Branch), I did the SWOT analysis. There are two factors:

- ✓ Internal Factors
  - Strength
  - Weakness

- ✓ External Factors
  - Opportunities
  - Threats



Strength:

- ✓ Efficient and experienced management team.
- ✓ Directors of the bank are not over ruling the decisions made by the management team.
- ✓ Bank quickly expanding its business all over the country.
- ✓ Cooperation among the officers and executives.
- ✓ Good banker customer relationship.
- ✓ Use of new technologies.

❖ Weakness:

- ✓ Performance of marketing sector is not satisfactory.
  Limited geographic coverage.
- ✓ Lack of coordination.
- ✓ Lack of well furnished.
- ✓ Limited number of ATM booth.

❖ Opportunities:

- ✓ Can increase the deposit and credit scheme.
- ✓ Private commercial banks become more reliable to the local public.
- ✓ Govt. has taken step against illegal remittance.
- ✓ Client's reliability is growing day by day on the bank.

- Threats:
  - ✓ Similar products are offered by others
  - ✓ Default Loans
  - ✓ Industrial Downturn
  - ✓ Increased competition in the market

Chapter – 3

Theoretical Aspects of Foreign Exchange Operation

3.1 Foreign Exchange

Foreign exchange is an important and integral part of commercial banking. It is very much lucrative and remunerative operation for the bank, if it is conducted systematically and methodically the Foreign Exchange Regulation (FER) Act, 1974 enacted on the 11 March 1947 in the British- India provides the legal basis for regulating receipts and payments and dealing in the foreign exchange and securities. Basic regulations for conducting for conducting Foreign Exchange Operation are issued by the Government as well as by the Bangladesh Bank in the form of public notice, circulars etc. From time to time Authorized Dealers in Foreign Exchange should meticulously follow the said circulars and guidelines of Bangladesh Bank.

3.2 Meaning of Foreign Exchange

Foreign Exchange means the exchange of currency in terms of goods includes all deposits, credits, balance payable, drafts, T.Cs, bill of exchange, L/C etc. from one country to another. This is the most well- known and well-organized business uniform in world business. All foreign exchange transaction in Bangladesh are subject to exchange control regulation of Bangladesh Bank.

Among all departments Foreign Exchange department of Al Arafah Islami Bank PLC is one of the most important. The bank is providing excellent services to the clientele in foreign exchange and foreign trade operations through the above foreign correspondents.

3.3 Necessity of Foreign Exchange

Foreign exchange is the trading of different national currencies or units of account. It is important because the exchange rate, the price of one currency in terms of another, helps to determine a nation's economic health and hence the well-being of all the people residing in it.. Say, Bangladesh has cheap manpower whereas Saudi Arabia has cheap petroleum. So, Bangladesh is dependent on Saudi Arabia for petroleum and Saudi Arabia is dependent on Bangladesh for cheap manpower. People of one country are going to abroad for medical service, education etc. thus there is an exchange of foreign currency.

3.4 Activities of Foreign Exchange Division

Activities of Foreign Exchange Division can be broadly divided into three parts:

1. Export.
2. Import.
3. Remittance.

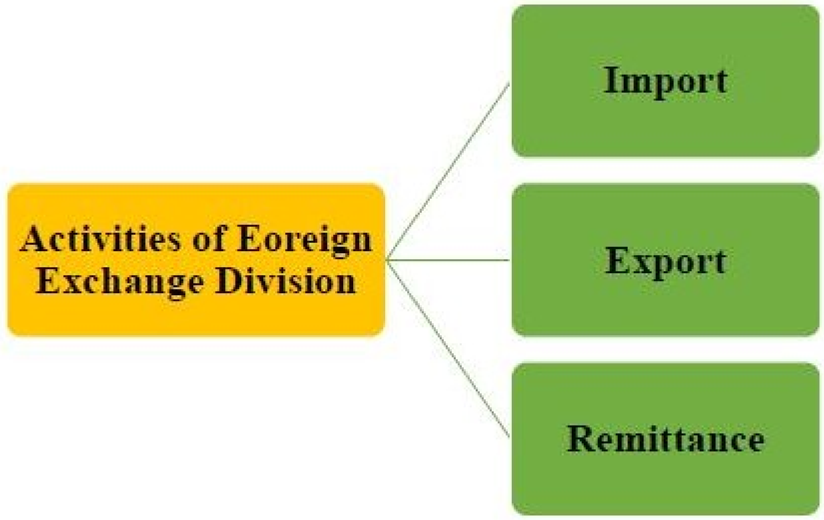


Figure-1 Foreign Trade Activities

3.5 Regulation for Foreign Exchange Division

Foreign Exchange transactions are being controlled by the following rules and regulations:

3.5.1 Local Regulation

- ❖ Foreign Exchange act 1047.
- ❖ Bangladesh Bank issues Foreign Exchange Circular from time to time to control the export, import and remittance operation.
- ❖ Ministry of commerce issue export and import policies giving basic formalities for important export.
- ❖ Sometimes CCI issues public notices for any kind of change in Foreign Exchange transaction.
- ❖ Bangladesh Bank publishes tow volumes in 1996. These comprise the complete instruction to be followed by the authorized dealers in transactions related to Foreign Exchange.

3.5.2 International Regulation

There are some international organizations influencing our Foreign Exchange transactions. These are:

- World Trade Organization (WTO) is another international trade organization established in 1995. General Agreement on Tariff and Trade (GATT) was established in 1948, after completion 8th round the organization has been abolished and replaced by WTO. This organization has role in international trade, through its 124 member countries.

3.6 Why Foreign Exchange is being controlled

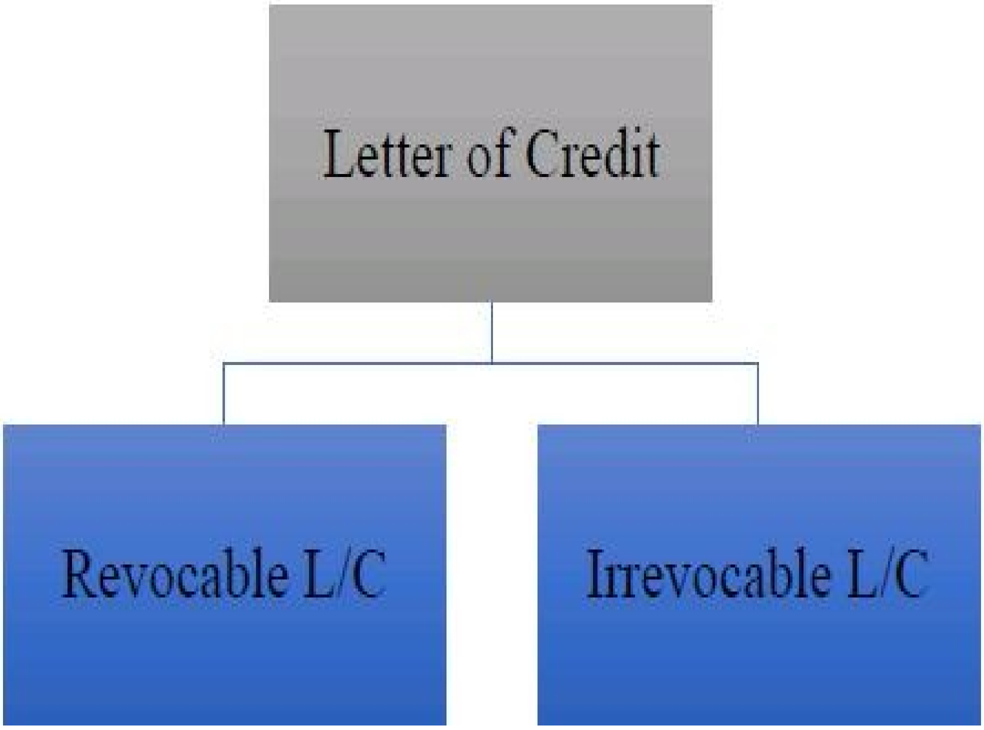
Foreign exchange is being controlled:

- To stabilized the rate of exchange.
- To protect domestic industries.
- For protect domestic industries.
- For proper implementation of plans.
- To increase the bargaining strength.
- To check over invoicing & under invoicing.
- To check the Blank marketing and smuggling.
- For regulation the international movements of goods.

3.7 Letter of Credit (L/C)

Letter of credit (L/C) can be defined as a “Credit Contract” whereby the buyer’s bank is committed (on behalf of the buyer) to place an agreed conditions. L/C is called documentary letter of Credit because the undertaking of the issuing bank is subject to presentation of some specified documents. The Uniform Customs & Practice for Documentary Credit (UCPDC) published by International Chamber of Commerce (1993) Revision Publication No. 500 defines Documentary Credit: Any arrangement however named or described whereby banks (the issuing Bank) acting at there quest and on the instructions of a customer (the Applicant) or on its own behalf:

- Is to make a payment or to the order of a third party (the beneficiary) or is to accept and pay bills of exchange (Drafts) drawn by the beneficiary, or
- Authorizes another bank to effect such payment or to accept and pay such bills of exchange (Drafts)
- Authorizes another bank to negotiate against stipulated documents provide that terms and conditions are complied with.



3.7.1 Types of L/C

Letter of Credit basically divided into two types:

1) Figure-2 Types of L/C

1. Revocable L/C

Revocable L/C is a credit which can be amended/ cancelled by issuing bank, without prior notice to the seller.

2. Irrevocable L/C

Irrevocable L/C is a credit, which cannot be amended or cancelled without the agreement of all parties.

2) Some Other types of L/C s are:

- Confirmed L/C.
- Transferable L/C.
- Revolving L/C.
- Restricted L/C.
- Red clause L/C.
- Green Clause L/C.
- Back-to-Back L/C.

3.7.2 Letter Of Credit Transaction

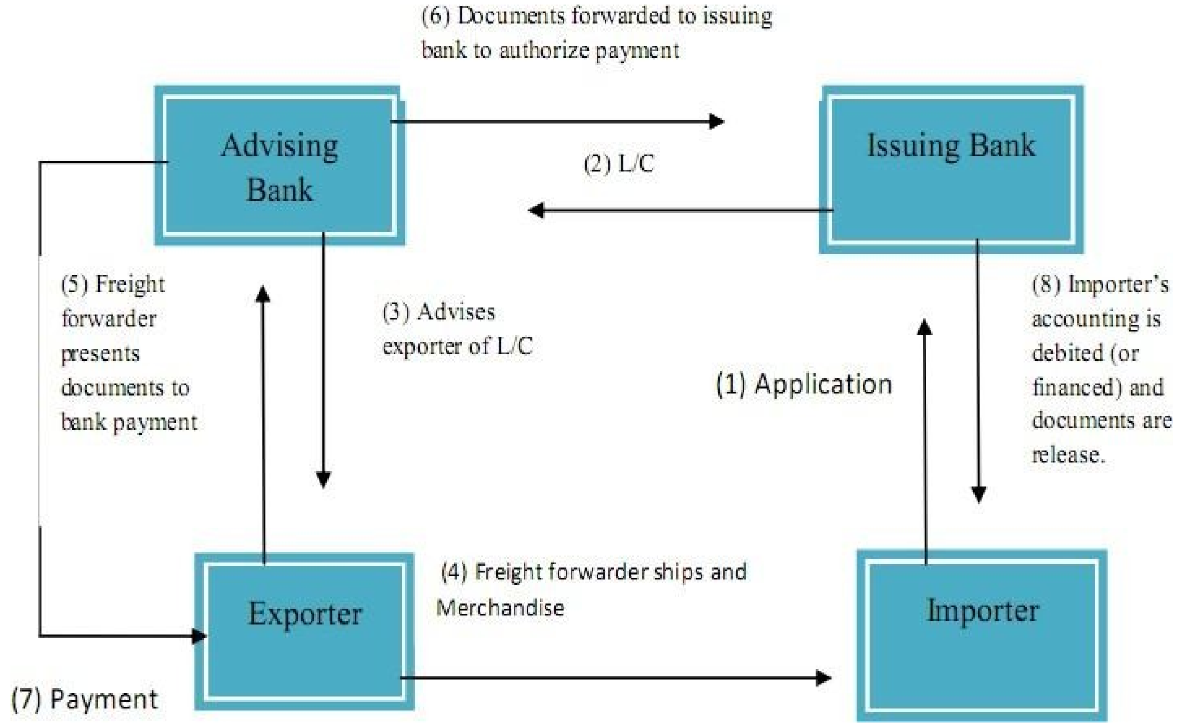


Figure 3: Letter of Credit Transaction

3.7.3 Three Parties

Applicant who is referred to as account party is normally a buyer or customer of the goods, who has to make payment to beneficiary. Simply the person applies for L/C is called importer.

3) Exporter (Beneficiary)

Beneficiary of the L/C is the party in whose favor the letter of credit is issued. Usually theyare the seller or exporter.

4) Issuing Bank

It is the bank which opens/issue a L/C on behalf of the Importer.

5) Confirming Bank

It is the bank, which adds it is confirmed to the credit and it is done at the request of issuing bank. Confirming bank may not be advising bank.

6) Advising/ Notifying Bank

It is the bank through which the L/C is advised to the exporters. This bank is actually situated in exporter's country. It may also assume the role of confirming and / or negotiating bank depending upon the condition of the credit.

7) Negotiating Bank

It is the bank, which negotiates the bill and pays the amount of the beneficiary. The advising bank and the negotiating bank may or may not be the same. Sometimes it can also be confirming bank.

8) Accepting Bank

It is the bank, which negotiates the bill and pays the amount of the beneficiary. The advising bank and the negotiating bank may or may not be the same. Sometimes it can also be confirming bank.

9) Reimbursing Bank

It is the bank on which the bill will be draw (as per condition of the credit). Usually is the issuing bank.

3.7.4 Basic procedures for opening a Letter of Credit (L/C)

In global business environment buyers and sellers are often unknown to each other. So, seller generally demands guarantee of payment for his exported goods. In this situation bank has an important role. Bank gives export guarantee that it will pay for the goods on behalf of the buyer. This guarantee is called "Letter of Credit" or L/C. thus by letter of credit the contract between importer and exporter find a legal sphere.

The letter of credit process has been standardized by a set of rules published by the International Chamber of Commerce (ICC). These rules are called the Uniform Customers and Practice for Documentary Credit (UCPDC) and are contained in ICC publication NO.

The following is the basic set of steps used in L/C transaction. Specific L/C transaction follows somewhat different procedures.

1. After the buyer and seller agree on the terms of sale, the buyer's arrange for his bank to open a L/C in favor of the seller.
2. The buyer issuing bank prepares the L/C, including all of the buyer's instructions to the seller concerning shipment and required documentation.
3. The buyer's bank sends the L/C to seller's advising bank.
4. The seller's advising bank forwards the L/C to the seller.
5. The seller carefully reviews all conditions stipulated in the L/C. if the seller can not comply with any of the provision, it will asked the buyer to amend the L/C
6. After final terms are agreed upon, the seller ships the goods to the appropriate port or location.
7. After shipping the goods seller obtain the required documents.
8. The seller presents documents to its advising bank along with a draft for payment.
9. The seller's advising bank reviews the documents. If they are in order, it will forward them to buyer's issuing bank. If a confirmed L/C, the advising bank will pay the seller.
10. Once the buyer's issuing bank receives and reviews the documents, if either pays if there are no discrepancies or forwards the documents to the buyer if there are discrepancies for its review and approval.

3.8 Import Section

Simply import means purchase of goods or services from abroad. Again an import is any goods or services brought in to a country from another country in a fair and acceptable fashion, typically for use in trade. Import may be defined as bringing of visible item to the country from abroad through letter of credit or the Authorization form (LCAF) paying foreign Currency to that of 29 exporting country.

3.8.1 Import Department

Bangladesh is one of the developing countries in the world. So, like other developing countries Bangladesh Imports largely than it Exports. Imports of goods into the Bangladesh are regulated by the Ministry of Commerce in the terms of the Import- Export Act, 1950, various Import policy orders and also public notices issued from time to time by the office of the Chief Controller of Import and Export (CCI&E).

3.8.2 Import Policy

Different import policy is given below

- Import facility up to$2000 for actual user (for self-consumption not for sale) without permission.
- Above $5000 approval of Chief Controller of Import and Export (CCI&E) is needed. Import facility on the basis of direct payment on foreign countries.
- Import under L\C, L\C must be irrevocable. Import above $5000-L\C is required but In the case of perishable items like food upto$7500 transported by road L\C is not required.

3.8.3 Import Procedures

Authorized Dealer, banks are always committed to facilitate import of different goods into Bangladesh from the foreign countries. Import Section, which is under Foreign Exchange Department of a bank, is assigned to perform this job. And to serve its parties demand to import goods, it always maintains required formalities that are collectively termed as "Import Procedure".

1. At first, the importer must obtain Import Registration Certificate (IRC) from the CCI&E submitting the following papers:
   - Up to date Trade License.
   - National and Asset Certificate.
   - Tax Identification Number (TIN).
   - In case of company, Memorandum & Articles of Association and Certificate of Incorporation.
   - Bank Solvency Certificate etc.
   - Required amount of registration fee.
2. Then the importer has to contact with the seller outside the country to obtain the invoice. Usually an indenter, local agent of the seller or foreign agent of the buyer makes this communication. Beside these other sources are:
   - Trade fair.
   - Chamber of Commerce.
   - Foreign Missions in Bangladesh.
   - Journals etc.
3. When the importer accepts the Invoice, he/she makes a purchase contract with the exporter detailing the terms and conditions of the import.
4. After making the purchase contract, importer settles the means of payment with the seller. An import procedure differs with different means of payment. The possible means are Cash in Advance, Open Account, Collection Method and

Documentary Letter of Credit. In most cases, the Documentary Letter of Credit in our country makes import payment. Purchase Contract contains which payment procedure has to be applied.

3.8.4 Import Mechanism

To Import, a person should be competent to be importer. According to Import and Export Control Act-1950, the office of Chief Controller of the Import and Export (CCI&E), provides the registration (IRC) to the importer. After obtaining thus person's has to secure a letter of Credit authorization from Bangladesh bank. And then a person becomes a qualified importer. He is the person who requires or instructs the opening bank to open a L\C. He is also called Opener or Applicant of the credit.

3.8.5 Types of Import

Mainly there are two types of import:

1. Commercial Import
2. Industrial import

Commercial Import

Importer does commercial import only for trading purpose. These products are finished goods. Such as rice, wheat, soybean oil etc.

10) *Industrial import*

Importer does industrial import for industrial use only. These products are raw materials and capital machinery. Such as; raw cotton, Crude oil etc.

3.8.6 Goods are not importable

The following types of goods are not importable

- Books, Newspaper, periodicals, documents and other papers, posters photographs, films, gramophone records, audio and video cassette tapes etc containing matters likely to outrange the religious feeling and beliefs of any class of the citizen of Bangladesh.
- Maps, chart and geographical globes which indicate the territory of Bangladesh but do not do so in accordance with the maps published by the department of survey, Government of the people's republic of Bangladesh.
- Reconditioned office equipment, photocopier, type-writer machine, telex, phone, computer and fax.

3.8.7 Import Financing

There is various method of Import Financing, which is regulated by legal frame work and import policy. These are:

1. Non-Funded Financing.
2. Post import (funded) Financing.

3.8.8 Documents Receipt and Scrutiny

After opening the Letter of Credit the next step would be to await shipment followed by negotiation of documents by a bank abroad.

However, generally the following documents are asked to send:

- Bill of lading or Airway Bill or other evidence of shipment (e.g. Railway Receipt,Truck Receipt, Barge Receipt)
- Certificate of Origin
- Commercial Invoice
- Draft or bill of exchange
- Inspection of Survey Certificate
- Marine Insurance Policy
- Packing List
- Quality Control Certificate

3.9 Export

The goods and services sold by Bangladesh to foreign households, businessmen and Government are called export. Main export items are readymade garments, frozen fish, vegetables, tea, coffee, spices etc.

3.9.1 Export Department

The goods and services sold by Bangladesh to foreign households, businessmen and Government are called export. Main export items are readymade garments, frozen fish, vegetables, tea, coffee, spices etc.

The export trade of the country is regulated by the Imports and Exports (control) Act, 1950. There are a number of formalities, which an exporter has to fulfill before and after shipment of goods. The exports from Bangladesh are subject to export trade control exercised by the Ministry Of Commerce through Chief Controller of Imports and Exports (CCI&E). No exporter is allowed to export any commodity permissible for export from Bangladesh unless he is registered with CCI&E and holds valid Export Registration Certificate (ERC). The ERC is required to be renewed every year. The ERC number is to be incorporated on EXP forms and other documents connected with exports.

The major function of this section is comprises with purchases, collection & negotiate the export bill, provide the exporter in financing and helps the exporter in different issues.

A person desire to export should make application to obtain ERC (Export Registration Certificate) from CCI&E then the person should step in to a bank along with ERC to obtain export operation from the Bank.

3.9.2 Documents used in Export

When a firm sells its goods abroad, it must arrange for each export shipment to be accompanied by various documents. Depending on the country to which the goods are
being sent, these documents will vary. But for exporting we can divide those documents in two types-

- Substantive Document
- Auxiliary Documents

1. Substantive Documents

Substantive Documents are given below:

11) Draft or bill of exchange

Bill of Exchange is an instrument in writing containing an unconditional order or at a fixed 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.

12) Commercial Invoice

Commercial Invoice is the export firm's invoice, addressed to the foreign importer describing the goods shipped and the total price that it must pay. However, some countries require the commercial invoice to be prepared on their own forms. Such forms are called customs invoices.

13) *Bill of lading or Airway Bill*

Bill of Lading is a document supplied to the exporter by the shipping company that is transporting the goods to their foreign destination, listing, item by item, the goods being shipped. It serves three basic purposes:

- To acknowledge receipt by the carrier of the exporter's goods.
- To indicate the carrier's contractual obligation to transport the goods to their destination in exchange for payment.
- To record transfer of title from the seller to the buyer when payment for the goods takes place. Airlines use what is called an Air Waybill.

2. Auxiliary Documents

Auxiliary Documents are given below:

14) *Cargo manifest or packing list*

When quantities, weights or contents of the various packing cases in an export shipment vary, it is usual to prepare a separate list for each case indicating its contents, weight and measurements.

15) *Certificate of Origin*

Certificate of Origin is a document, which indicates the country in which the goods were produced, is required whenever preferential duties are claimed. Sometime, consular legalization of the document is necessary. Also, certification of the document by a Chamber of Commerce is required.

16) *Quality control certificate*

While exporting products for which quality control certificate is obligatory, the exporter will have to submit, to the Customs Authorities, a quality control certificate issued by the appropriate authority.

17) *Consular Invoice*

Some country required consular invoice. Countries that require a consular invoice also require a commercial invoice as additional proof of the details of the export shipment.

18) *Certificate of free sale*

This certificate required for pharmaceuticals and certain chemicals entering a number of countries.

19) *Export Declaration Forms*

It is usually necessary for the exporter wishing to ship goods abroad, to fill out a form called an Export Declaration. The document is also used for statistical purposes so that government authorities know exactly what has been exported from the country in each month and year and to which country.

3.9.3 Registration for the Exporter

In the export policy of Bangladesh any one cannot export goods in abroad. To export goods an exporter needs a valid Export Registration Certificate from the Chief Controller
of Import and Export (CCI&E). Exporters find an Export Registration Certificate (ERC) number which is incorporate on Export form and papers connected for obtaining Export Registration Certificate-

- National ID card
- Memorandum and Article of Association and Certificate of Incorporation in case ofPLC company
- Trade license

- Bank Certificate
- Assets certificate
- Income Tax certificate etc.

3.9.4 Formalities and procedures of export L/C

The formalities and procedure of export L/C"s are as follows:

20) *Obtaining exports LC*

To get export LC form exporter issued by the importer.

21) *Submission of export documents*

Exporter has to submit all necessary documents to the collecting bank after shipment.

22) *Checking of export documents*

After getting the documents banker used to check the documents as per LC terms

23) *Negotiation of export documents*

If the hank accepts the document and pays the value draft to the exporter and forward the document to issuing bank that is called a negotiating bank. If the bank does buy the LC then the bank normally acts as collecting bank.

24) *Realization of proceeds*

This is the period when the issuing bank has realized the payment.

25) *Reporting to the Bangladesh bank*

As per instruction by Bangladesh Bank the bank has to report to respective department of Bangladesh bank by mentioning latest payment.

26) *Issue to proceeds realization certificate (PRC)*

Bank has to issue precede realization certificate of export LC to the supplier / exporter for getting cash assistance.

3.9.5 Export Financing

To meet up the cost of goods to be exported, the exporter may require Bank finance. Besides, he may require finance for go down rent, freight etc. Even after shipment of the goods, exporter may require Bank finance to meet-up his expenditure up o repatriation of the export proceeds. There are two type of export finance:

- Pre- Shipment Finance in Export Trade.
- Post Shipment Finance in Export Trade.

3.10 Remittance

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

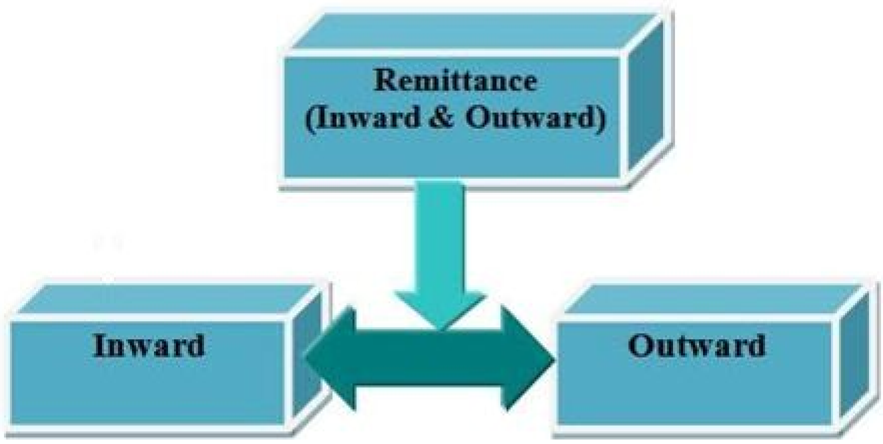
3.10.1 Foreign Remittance

Bank PLC has correspondent banking relationship with all major banks & exchange houses located in almost all the cities. Expatriate Bangladeshis may send their hard earned foreign currencies through those banks & exchange houses or may contact any renowned banks nearby (where they reside/work) to send their money to their dear ones in Bangladesh. Al Arafah Islami Bank PLC is an authorized dealer of foreign exchange. Their dealing in foreign exchange involves buying and selling of foreign exchange covering inward remittances received from abroad and outward remittances sent abroad. The basic functions of this department are outward and inboard remittance of foreign exchange from one country to another country. In the process of providing this remittance service, it sells and buys foreign currency. Recently Al Arafah Islami Bank PLC. has launched its Speedy Foreign Remittance Payment System which enables beneficiaries to receive their money within shortest possible time. The beneficiary also gets information of remittance through

automated SMS. It's a secured, easy, cost effective and speedy way of remittance for the remitter.

There are two types of remittance:

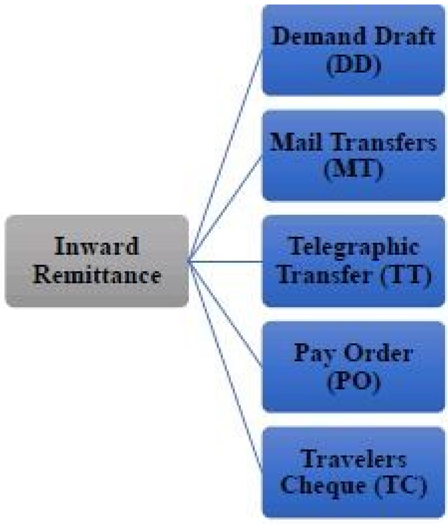
1. Inward remittance.
2. Outward remittance.



27) *Figure-4 Types of Remittance*

1. Inward Remittance

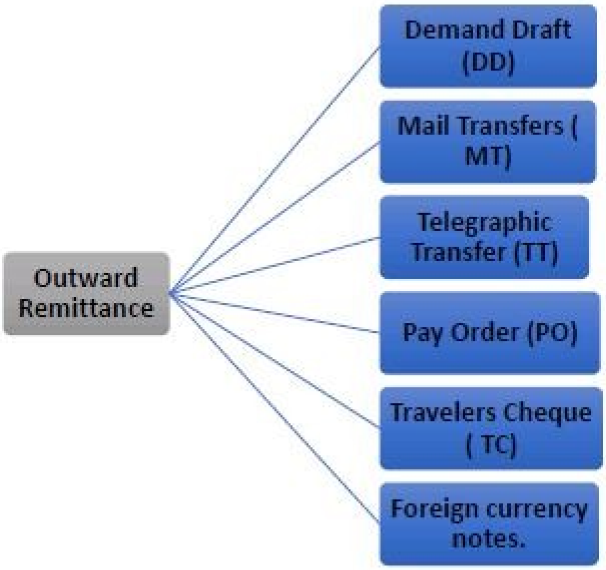
The term 'inward remittance" means purchase of foreign currencies in whatever form and includes purchase of travelers cheques, drafts under travelers letters of credit, bills of exchange, currency notes and coins etc. Debit to banks' non-resident Rupee accounts also constitutes an inward remittance.



28) *Figure-5 The Modes of inward remittances*

2. Outward Remittance

The term "outward remittance" means sale of foreign exchange in any form and includes sale of travelers cheques, travelers letters of credit, foreign currency notes and coins etc. Outward remittance can be made either by sale of foreign exchange or by credit to non- resident Rupee account of banks' overseas branches or correspondents.



29) *Figure-6 The Modes of outward remittances*

3.10.2 Al Arafah Islami Bank PLC deals with foreign remittance activities on behalf other money transfer company

Al Arafah Islami Bank PLC has signed an agreement with:

- Western Union Network
- MoneyGram
- Placid Express Spot Cash
- Ria
- National Exchange

3.11 Remittance Market in Bangladesh

The remittance market of Bangladesh has been showing a steady growth in terms of incoming remittance volume. Considering the current macro-economic indicators it seems that this growth run will continue in the coming years. Central Bank predicts that our annual incoming foreign remittance will touch $10 billion in the next 3 years. The reasons for such robust growth can be summarized as:

- Stable macro-economic indicators including GDP growth.
- Steady growth in manpower export specially in the middle east.
- Substantial devaluation of the local currency.
- Rapid urbanization.
- Development of new remittance corridors in Australia and part of Europe and Africa.
- Increased focus of Central Bank and the Government to channel funds through formal channels.
- Increased competition among financial institution to grab market share.
- Aggressive marketing policy adopted by Banks to increase their share of wallet.
- Expansion of branch network of various commercial banks.
- MFIs involvement in channeling remittance funds in remote areas.
- Participation in the UN peace keeping missions.
- Anti-Money Laundering rules and regulations came in force.

3.12 Steps Taken for Remittance Process Improvement

Government as well as private sector has undertaken various strategies to make remittance transfer easier and hassle free. Now, the Nationalized Commercial Banks (NCBs) have some overseas branches/remittance wings for transferring remittances successfully.

Recently, illegal transfer of money slid down drastically, as Bangladesh Bank (BB) has stepped up monitoring of such transactions at home. BB so far gave license to 660 exchange houses to set up offices abroad to facilitate remittance. Local banks are now able to deliver money to recipients.

Chapter – 4

Performance Analysis

4.0 Performance Analysis of Foreign Exchange Operations

A. Overall Business Trend (From 2019 To 2023)

The foreign exchange performance of Al Arafah Islami Bank PLC reveals distinct patterns across its three core segments—Import, Export, and Remittance—with significant volatility emerging in the most recent reporting period.

Import Operations show structural inconsistency. While the number of Letters of Credit (L/C) opened demonstrated consistent annual growth from 28 to 73 over five years (peaking with 66.67% growth in 2022), the corresponding **import value** displayed dramatic fluctuations. After reaching a peak of BDT 167.71 million in 2023, import value contracted sharply by 27.08% in 2024 to BDT 122.29 million. This divergence suggests the branch has successfully increased its client base for import services but faces challenges in maintaining transaction values amid external pressures such as foreign exchange restrictions and global economic uncertainty.

Export Operations followed a more predictable trajectory initially, with robust growth from BDT 76,097 million in 2020 to BDT 143,612 million in 2023, led by a strong 40.54% surge in 2021. However, this momentum reversed in 2024 with an **11.50% decline** to BDT 127,091 million. This downturn aligns with sector-wide challenges including softening global demand for ready-made garments, rising production costs, and intensified regional competition.

Remittance Operations experienced the most pronounced volatility. After consistent growth culminating in a peak of BDT 42,443 million in 2023 (with 29.74% growth in 2022), the segment suffered a **dramatic 23.13% contraction** in 2024—the steepest decline among all foreign exchange activities. This suggests high sensitivity to global employment conditions, exchange rate differentials with informal channels, and potential reductions in overseas migration.

B. Critical Findings

1. **Growth-Deceleration Pattern:** All three segments exhibited a similar pattern: strong post-pandemic recovery (2021-2022) followed by slowing growth (2023) and eventual contraction (2024).
2. **Differential Sensitivity:** Remittances proved most volatile (-23.13%), followed by Imports (-27.08% in value), while Exports showed relative resilience (-11.50%).
3. **Volume-Value Disconnect:** The steady increase in L/C volume contrasted with declining import values, indicating either smaller average transaction sizes or shifts toward lower-value commodities.

4. **External Vulnerability:** Performance appears heavily influenced by macroeconomic factors—Bangladesh Bank's forex measures, global recessionary trends, and sector-specific challenges—rather than purely branch-level operational factors.

C. Performance Assessment

The bank demonstrated commendable **business development capabilities** during the growth phase (2021-2023), successfully expanding its client base and transaction volumes across all segments. Operational efficiency in processing appears adequate given the growth in transaction numbers.

However, **risk management and strategic foresight** emerge as areas requiring enhancement. The uniform downturn across all segments in 2023 suggests insufficient diversification or hedging against systematic economic shocks. The branch's performance closely mirrors national economic trends without demonstrating defensive counter-cyclical strategies.

D. Strategic Implications

The analysis indicates that while the branch has built a solid foundation for foreign exchange operations, its current business model exhibits high beta characteristics—amplifying both upswings and downturns in the broader economy. Future sustainability will depend on:

- Developing sector-specific strategies to mitigate external vulnerabilities
- Enhancing value-added services to maintain transaction values amid regulatory constraints
- Implementing proactive client advisory services for forex risk management
- Exploring diversification into less cyclical trade finance segments

The branch's fundamental challenge moving forward is transforming from a volume-driven operation to a value-resilient business model capable of weathering economic fluctuations while maintaining growth trajectories.

4.1 Amount of the total Import of AIBPLC:

The bank's import position shows initial stagnation, followed by rapid expansion, and then a moderate reduction in the most recent year. The 2021–2022 surge may reflect post-pandemic economic adjustment and increased trade financing, with 2023 showing normalization rather than decline to earlier lows.

Table: Import Position of AIBPLC

(Amount in Million Taka)

Item	2019	2020	2021	2022	2023
Import	**171612**	**169379**	**261566**	**300431**	**269323**

Source: Bank's Annual Report, 2025

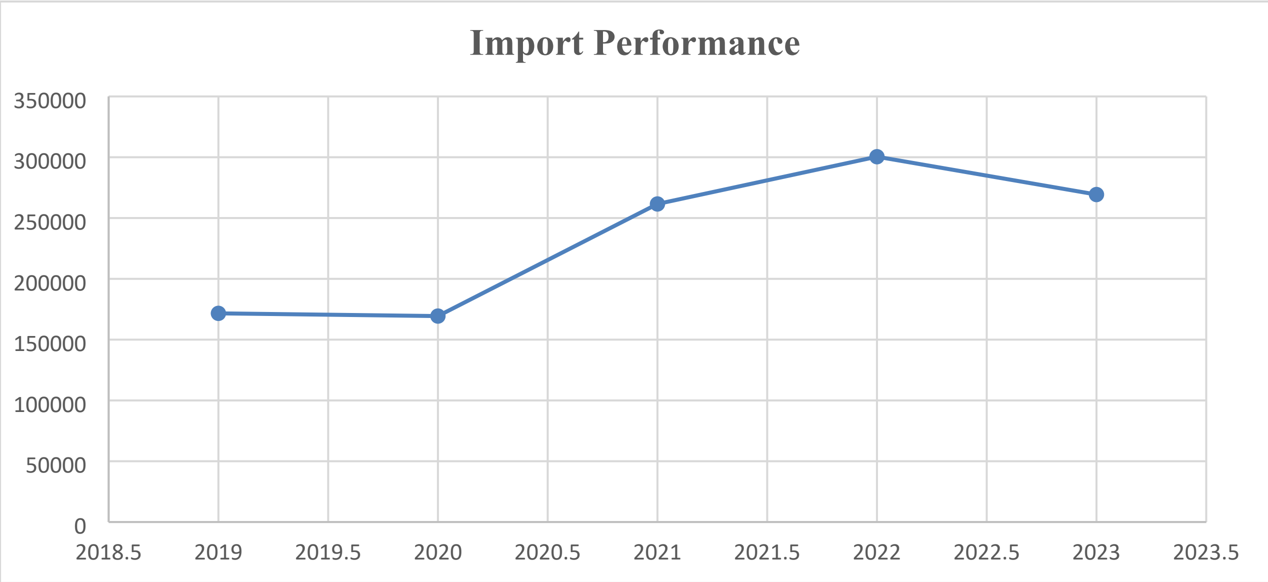


Fig: **Import Performance of AIBPLC**

4.2 Trend of Import of AIBPLC:

(Amount in Million Taka)

Item	2019	2020	2021	2022	2023
Growth	1.80%	-1.30%	54.43%	14.86%	-10.35%

Source: Bank's Annual Report, 2025

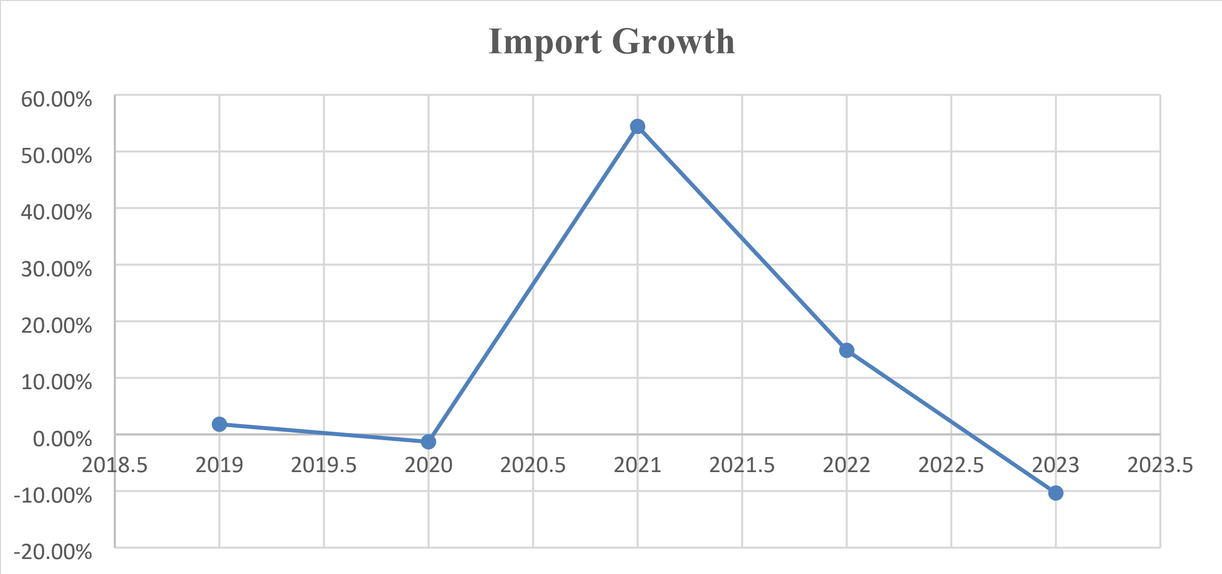


Fig: Import Growth of AIBPLC

From 2019 to 2020, the import figure declined slightly, by about 2,233 million Taka. This could reflect reduced import activity, possibly due to economic slowdown or external shocks. Between 2020 and 2022, there was a substantial increase. Imports jumped sharply in 2021 to 261,566 million Taka and further to 300,431 million Taka in 2022. This upward trend indicates a strong recovery in trade activities, higher demand for import financing, or improved bank support for clients' import needs. In 2023, import figures fell from the 2022 peak to 269,323 million Taka. Although lower than 2022, the 2023 value remains significantly higher than pre-2021 levels. This suggests a moderation in import activity after a period of rapid growth but still a robust level compared with earlier years.

4.3 Export Scenario of AIBPLC :

The table shows that the export performance of Al-Arafah Islami Bank PLC/PLC improved strongly during 2019–2023, although there was a small decline in 2020. In 2019, the bank's export amount was Tk. 108,967 million

Table: Export Performance of AIBPLC

(Amount in Million Taka)

Item	2019	2020	2021	2022	2023
Export	108967	104939	135787	181070	200352

Source: Annual Report 2025

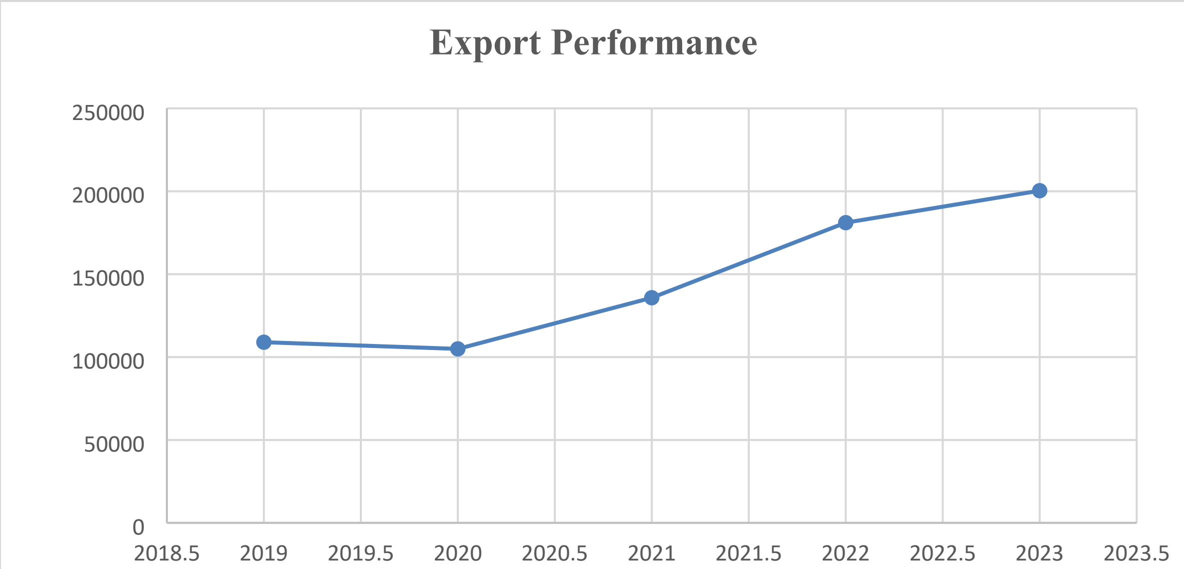


Fig: **Export Performance of AIBPLC**

.In 2020, it decreased slightly to Tk. 104,939 million, showing a fall of about 3.7%. This decline may reflect pressure on international trade during that period. After 2020, export performance recovered sharply. In 2021, exports increased to Tk. 135,787 million, which was about 29.4% higher than the previous year. The growth continued in 2022, reaching Tk. 181,070 million, an increase of about 33.3%. In 2023, exports rose further to Tk. 200,352 million, although the growth rate slowed to about 10.6%. Overall, export volume increased from Tk. 108,967 million in 2019 to Tk. 200,352 million in 2023. This means the bank's export business grew by about 83.9% over five years. Therefore, the table indicates strong, positive export performance, with the bank successfully expanding its export financing activities following the temporary decline in 2020.

4.4 Trend of Export of AIBPLC

Based on the table, the export performance growth of Al-Arafah Islami Bank PLC shows a fluctuating trend from 2019 to 2023. In 2019, export growth was negative at -4.82%, indicating that the bank's export-related business declined compared with the previous year. The negative trend continued in 2020, with growth of -3.70%. Although still negative, the decline was slightly lower than in 2019, suggesting a small improvement but not a full recovery. A strong recovery began in 2021, when export growth increased sharply to 29.40%. This indicates that the bank's export performance improved significantly after two years of decline. The highest growth was recorded in 2022, at 33.35%, showing the strongest export performance during the five-year period. This may reflect increased export financing, better trade activity, and recovery in business conditions.

Table: Export Performance of AIBPLC

(Amount in Million Taka)

Item	2019	2020	2021	2022	2023
Growth	-4.82%	-3.70%	29.40%	33.35%	10.65%

Source: Bank's Annual Report, 2025

Fig: **Export Growth of AIBPLC**

In 2023, growth remained positive at 10.65%, but it was much lower than the growth rates of 2021 and 2022. This means the bank continued to perform well in export business, but the pace of growth slowed. Overall, Al-Arafah Islami Bank PLC experienced negative export growth in 2019 and 2020, followed by a strong rebound in 2021 and 2022. In 2023, export growth remained positive but moderated. Therefore, the bank's export performance improved substantially after 2020, although the growth momentum weakened in the latest year.

One limitation is that the table provides only growth percentages, not the actual export amount in million taka. So, we can explain the trend, but we cannot determine the exact size of export business from this table alone.

4.5 Scenario of Foreign Remittance of AIBPLC

The table shows a strong, continuous increase in Al-Arafah Islami Bank PLC/AIBPLC's foreign remittance performance from 2019 to 2023. The remittance amount rose from Tk. 37,713.4 million in 2019 to Tk. 113,797.2 million in 2023, showing that the bank's remittance business expanded significantly over the five-year period. In 2020, remittances increased to Tk. 43,807 million, which indicates moderate growth compared with 2019. In 2021, it further increased to Tk. 52,662.1 million, showing steady improvement. The most remarkable growth occurred in 2022, when remittances rose sharply to Tk. 88,531.7 million. This suggests that the bank strengthened its foreign remittance collection network, customer service, and relationships with overseas exchange houses during that period. By 2023, foreign remittances reached Tk. 113,797.2 million, the highest amount shown in the table. Compared with 2019, the remittance volume increased by about Tk. 76,083.8 million, meaning it became more than three times higher over the period. This reflects the bank's growing role in channeling overseas earnings through formal banking channels.

Table: Foreign Remittance Performance of AIBPLC

(Amount in Million Taka)

Item	2019	2020	2021	2022	2023
Remittance	37713.4	43807	52662.1	88531.7	113797.2

Source: Annual Report 2025

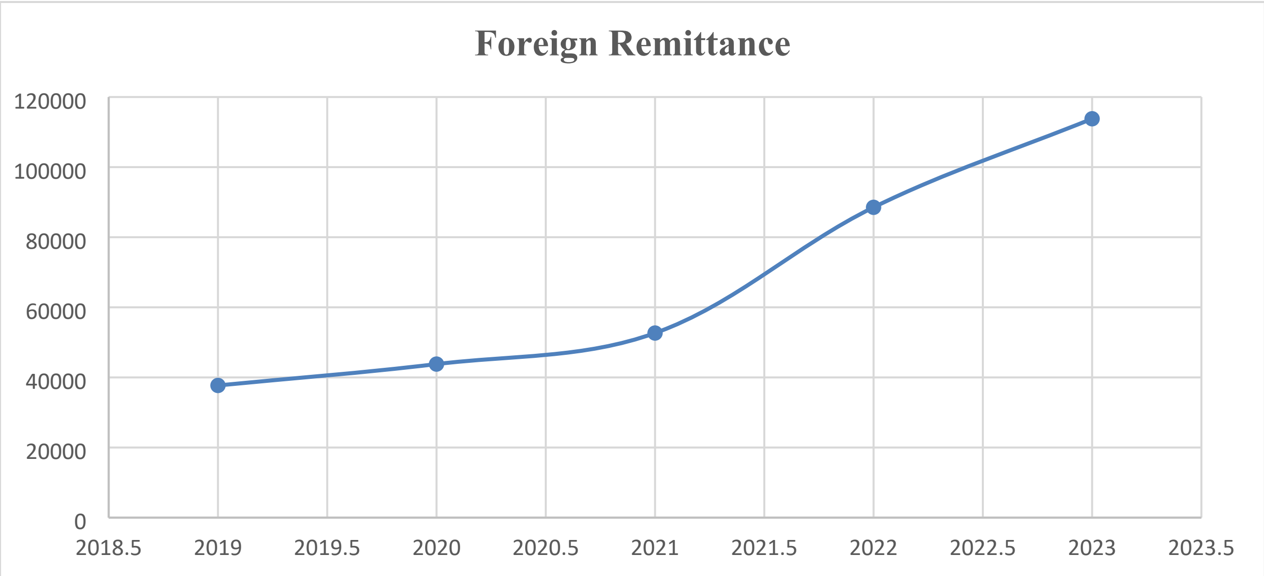


Fig: **Foreign Remittance Performance of AIBPLC**

Overall, the table indicates that Al-Arafah Islami Bank PLC achieved a consistently positive performance in foreign remittance. The upward trend indicates improved customer trust, stronger international remittance operations, and greater contributions to the country's foreign exchange inflows.

4.6 Trend of Foreign Remittance of AIBPLC

The table shows that Al-Arafah Islami Bank PLC.'s remittance growth followed a generally positive trend from 2019 to 2023, though the growth rate fluctuated over the years. In 2019, remittance growth was only 2.16%, indicating a very low increase. In 2020, growth rose sharply to 16.16%, a stronger improvement than the previous year. The growth continued in 2021, reaching 20.21%, suggesting the bank attracted more remittance inflows through its remittance services. The highest growth occurred in 2022, when remittances increased by 68.11%. This was a remarkable jump and indicates a very strong performance in remittance collection during that year. It may reflect better remittance channel management, wider correspondent relationships, improved customer trust, or increased inflow from expatriate Bangladeshis. However, in 2023, the growth rate declined to 28.54%. Although this was lower than the exceptional growth recorded in 2022, it still represents a strong positive growth rate. Therefore, the bank continued to expand its remittance business in 2023, but at a slower pace than the previous year.

Table: Trend of Foreign Remittance of AIBPLC

(Amount in Million Taka)

Item	2019	2020	2021	2022	2023
Growth	**2.16%**	**16.16%**	**20.21%**	**68.11%**	**28.54%**

Source: Bank’s Annual Report, 2025

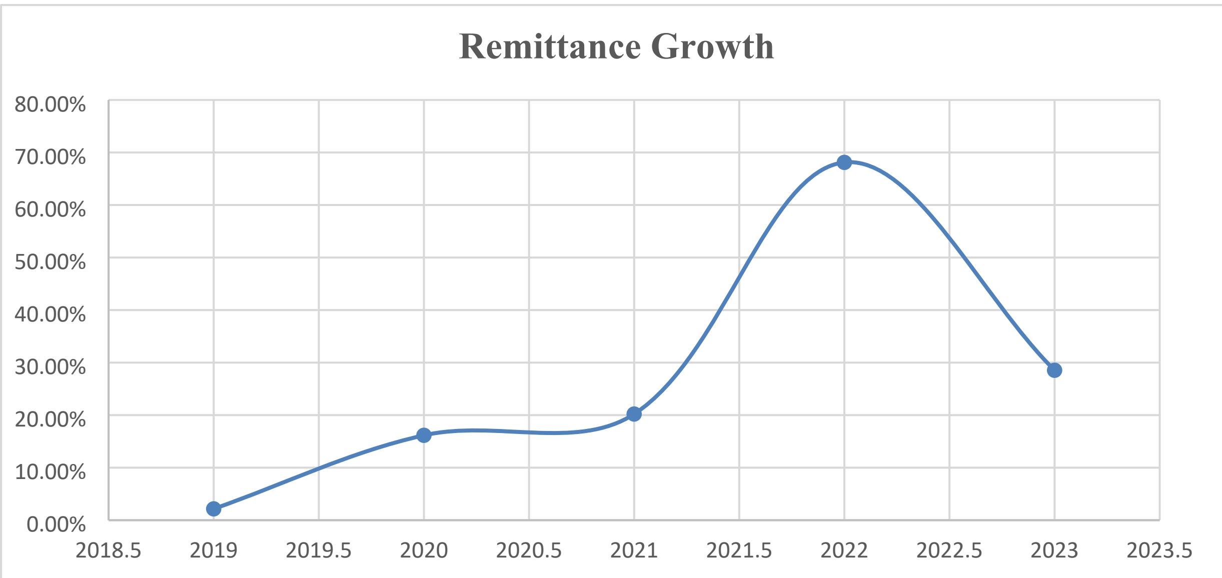


Fig: **Trend of Foreign Remittance of AIBPLC**

Overall, Al-Arafah Islami Bank PLC. showed consistent positive remittance growth during the period. The most significant improvement was seen in 2022, while 2023 indicates that the bank maintained growth despite a slowdown from the previous peak.

4.7 The Al Arafah Islami Bank International Guarantee trend from 2019 to 2023.

Based on the table, Al-Arafah Islami Bank PLC showed a continuous upward trend in its international guarantee/remittance performance from 2019 to 2023. The amount increased from Tk. 8,274.25 million in 2019 to Tk. 18,675.06 million in 2023. This indicates that the bank's international business-related activities expanded steadily over the five-year period. The growth was strong between 2019 and 2022. In 2020, the amount rose to Tk. 10,511.21 million, showing a noticeable improvement from the previous year. In 2021, it increased further to Tk. 13,673.41 million, and in 2022 it reached Tk. 17,155.97 million. This suggests that the bank strengthened its position in handling international financial services during these years. In 2023, the amount reached Tk. 18,675.06 million, which was the highest figure in the table. However, the rate of increase was slower compared with earlier years. This means that although the bank continued to grow, the growth momentum became more moderate in 2023.

Table: International Guarantee Performance of AIBPLC

(Amount in Million Taka)

Item	2019	2020	2021	2022	2023
Remittance	**8274.25**	**10511.21**	**13673.41**	**17155.97**	**18675.06**

Source: Annual Report 2025

Fig: **International Guarantee Performance of AIBPLC**

Overall, the performance increased by about Tk. 10,400.81 million from 2019 to 2023, which is approximately 125.7% growth over the five years. This reflects a positive and consistent performance trend for Al-Arafah Islami Bank PLC in international guarantee/remittance activities.

Chapter – 5

Findings, Recommendations & Conclusion

5.1 Summary of the Findings

By analyzing the various data the following finding have been found:

- As we see that the L/C opening increased year by year. In 2022 there appeared highest growth.
- As we can see that in 2021 Import was decreased with .94% growth rate from 2020. In 2021 and 2023, it increased with growth rate 42.42% and 16.87% gratually. In 2022, it was highest growth for the Bank over the last five years. In 2024, it further decreased with the growth rate of 27.08%. Analyzing the overall trend of Import over the last five years, we can say that the Import is fluctuating.
- Export has been increasing from 2020 to 2021 gradually with the highest growth rate 40.54% in 2020. In 2024 there appeared a decrease in export of 11.50%.
- Foreign remittance gradually increased in 2020 to 2022. In 2022 it increased by highest growth of 29.74%. But in 2024 there appeared a decrease in Remittance of 23.13% and it fell down from tk 42,443million to tk 32,628million.
- Clients are satisfied by the service that is given through foreign exchange department.
- All the officers are very much skillful and patentee about their work and always try to help other officers if they face any trouble regarding Foreign Exchange operations.
- Many well-known companies and industries are very much relying on Al Arafah Islami Bank PLC foreign exchange department because of the reputations and responsiveness.

5.2 Recommendations

I have a practical exposure in Al Arafah Islami Bank. For just three months, with my little experience in the bank in comparison with vast and complex banking system it is not so easy to recommend some suggestion to enhance the performance level of organization. I have observed some shortcomings regarding operational and other aspects of their banking system. On the basis of my observation. I would like to present my following recommendations.

- In order to get recovered from the declining flow of Import, Export and Remittance, the bank should improve their market trends.
- AIBPLC should give proper instruction to their Importers. As a result, the importers will be careful submit Bill of Entry to AIBPLC.
- Properly investigated the sanction of Import & Export financing.
- Register of transaction should be electronically rather than traditional paper based methods.
- Bank might reserve sufficient amount of foreign currency to pay the import bills in time without taking help from other bank.
- The new customers should be given some advantage to open L/C. In most of the cases, new customers find it difficult to follow the L/C opening procedures and bank ignore their hardship. If they are treating well, they may become Jamuna customers for AIBPLC.
- The risk of payments from foreign buyers should illuminate by an excellent interaction, understanding with foreign Banks.
- The senders properly mention the remittance money.

5.3 Conclusion:

Al Arafah Islami Bank is – a bank with difference. During the time of my internship program I have gathered lots of practical knowledge and experiences and finally agreed this statement to be true. Working and get involved in such a reputed bank is really a great pleasure for me. This internship program is obviously helpful for further thinking about my career. I must thankful to all of the officials with whom I have worked and who have given me appropriate opportunities to apply my theoretical knowledge in the practical field.

During my internship program I was assigned to work in trade finance department where I have to go through different steps related to the Banks Import Business. Here I felt that, though banking is constantly changing and being equally challenging, Al Arafah Islami Banks major concentration is always on quality service not on quantity. Customer focus is their priority not volume of the business. According to me this concept of Al Arafah Islami Bank has differentiated it from its competitors.

Al Arafah Islami Bank's strategy is to add more strength to the company's performance by highlighting the areas where they have the advantage today and where they can grow faster than their competitors. The bank think different to give differentiated service to its customers and try to run business better than every passing day and better than their competitors.

Along with maintaining standard level of services Al Arafah Islami Bank is playing a leading role in economic development of the country. It understands the needs of the customers and thus it understands the needs of the nation. Al Arafah Islami Bank and its contribution to the economy of Bangladesh along with high level of corporate social responsibility is providing it a way to move ahead and grow faster and better than others.

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Acronyms

AIBL	Al Arafah Islami Bank Limited
BFTN	Bangladesh Fund Transfer Network
SWIFT	Society for Worldwide Interbank Financial Telecommunication
BB	Bangladesh Bank
KYC	Know Your Customer
SME	Small & Medium Enterprise
GB	General Banking
IT	Information Technology
CD	Current Deposit
SB	Savings
FDR	Fixed Deposit Receipt
STD	Short Term Deposit
TP	Transaction Profile
MICR	Magnetic Ink Character Recogniion
UV	Ultraviolet
HOB	Head o f Branch
TIN	Tax Identify Number
CDM	Cash Deposit Machine
POS	Point of Sale
AML	Anti-Money Laundering
ALCO	Asset Liability Committee
SOD	Secured Overdraft
CIB	Credit Information Bureau
PDC	Post Dated Cheque
CD	Certificate of Deposit

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