REPORT

on

"An Analysis of Foreign Exchange Business of Rupali Bank PLC"

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List of Abbreviations:

SCB- State-owned Commercial Bank

NCB- Nationalized Commercial Bank

RBPLC- Rupali Bank PLC

BB- Bangladesh Bank

NRTA- Non-Resident Taka Account

NRFCA -Non-Resident Foreign Currency Account

MoF- Ministry of Finance

MoC-Ministry of Commerce

FE- Foreign Exchange

EFT- Electric Fund Transfer

NRB- Non-Resident Bangladeshi

ATM- Automated Teller Machine

SWIFT- Society for Worldwide Interbank Financial Telecommunication

ID- International Division

AD-Authorized Dealers

RBTI- Rupali Bank Training Institute

NFCD- Non-Resident Foreign Currency Deposit RFCD-Resident Foreign Currency Deposit

SME- Small & Medium Enterprise

TT-Telegraphic Transfer

NRTA -Non-Resident Taka A/C

NFCD- Non-Resident Foreign Currency Deposit

RFCD- Resident Foreign Currency Deposit

LC- Letters of Credit

FDD- Foreign Demand Draft

FTT- Foreign Telegraphic Transfer

DD- Demand Draft

LIM-Loan against Imported Merchandise

LTR- Loan against Trust Receipt

PAD- Payment against Document

EDF- Export Development Fund

PC- Packing Credit

FBP- Foreign Bills Purchase

IBP- Inland Bills Purchase

BACH- Bangladesh Automated Clearing House

ACR-Annual Confidential Report

Executive summary

The report focuses on analyzing the foreign exchange operations and financial performance of Rupali Bank PLC, a significant state-owned bank in Bangladesh. The study outlines the bank's role in international trade, emphasizing import, export, and remittance activities, which are crucial for the country's economy. In this report, the information is collected from the annual report of Rupali Bank PLC from 2014 to 2023. The key financial ratios are highlighted and analyzed. The bank's foreign exchange department is highlighted as being effective, though there are inefficiencies related to processing times and documentation. While Rupali Bank adheres to both local and international regulations, some discrepancies in documentary credits were observed. The bank has mechanisms for managing foreign exchange risks, but there's potential for enhancing these strategies, particularly in hedging and the use of financial derivatives. Technological adoption in Rupali Bank's foreign exchange operations is partial, with a reliance on manual processes that could benefit from automation to reduce errors and increase efficiency. Financially, the bank shows moderate profitability, but faces pressure due to competition and regulatory constraints. Liquidity is maintained at adequate levels, although improvements in foreign exchange reserve management could lead to better returns. The bank's capital adequacy is sufficient but relatively low, which might restrict the expansion of its foreign exchange operations. Non-performing loans, particularly in sectors sensitive to currency fluctuations, present a concern for asset quality.

The report recommends several strategies to enhance Rupali Bank's performance, including investing in automation, strengthening compliance protocols, improving risk management through advanced hedging techniques, and focusing on capital base expansion to support growth in foreign exchange operations. Addressing non-performing loans and optimizing the management of foreign exchange reserves are also suggested to improve the bank's overall financial health and ensure long-term sustainability.

Chapter 01

Introduction

1.1. Background of the Study:

Rupali Bank PLC, one of the largest state-owned public limited banks in Bangladesh, plays a crucial role in the country's banking sector, particularly in serving rural communities and contributing to economic development. As a commercial bank, its primary functions include collecting funds from surplus units and channeling them to investment sectors. Beyond this, the bank also focuses on managing foreign exchange, which is essential for fostering economic growth in emerging economies like Bangladesh. This involves handling export transactions and facilitating remittances from wage earners abroad. To engage in foreign exchange activities, commercial banks in Bangladesh must obtain an Authorized Dealer (AD) license from the central bank, Bangladesh Bank. Since foreign exchange transactions involve cross-border dealings, AD branches must adhere to both international rules and local customs. At Rupali Bank PLC, the Foreign Exchange Department is particularly significant, generating substantial profits. The bank operates through forty AD branches, which are involved in import-export activities, foreign remittances, and foreign currency trading. Foreign remittances are a vital part of Bangladesh's economy, contributing to the country's foreign reserves. Wage earners rely on efficient banking channels to send money back home, and the success of these transactions depends on the bank's international division and its procedures. In addition to import-export activities, Rupali Bank PLC also invests foreign currency in international share markets through its dealing room. The bank's foreign exchange operations are supported by a network of 182 foreign correspondents.

Foreign exchange business is governed by a combination of national and international policies. On the national level, the primary authorities include Bangladesh Bank, the Chief Controller of Imports and Exports, the Ministry of Commerce, and the Ministry of Finance. The foreign exchange market in Bangladesh is increasingly competitive. Although the country has a small, open-market economy, it benefits from a large expatriate workforce that sends significant remittances back home.

1.2. Statement of the Problem:

Rupali Bank PLC operates with a network of 586 branches, all of which provide general banking services. However, only 82 of these branches are designated as Authorized Dealer (AD) branches, handling foreign exchange business in addition to general banking. Despite their limited number, these AD branches play a crucial role in the bank's involvement in international trade, covering import, export, and foreign remittance transactions. Unfortunately, the performance of RBPLC's foreign exchange business has not met expectations. Several factors influence the success of foreign exchange operations, including the availability of skilled manpower, technological infrastructure, foreign correspondent relationships, marketing strategies, the working environment, and the reserve of foreign currency. However, these key areas have remained stagnant due to poor management decisions, hindering the growth of the bank's foreign exchange business. Furthermore, not all AD branches are actively engaged in foreign exchange activities, and the volume of imports, exports, and foreign remittances varies from year to year. This report aims to identify the issues that need to be addressed to enhance Rupali Bank PLC's foreign exchange business and provides an overview of its current status.

1.4. Objectives of the Study:

The primary aim of this study is to evaluate the foreign exchange performance of Rupali Bank PLC. To achieve this, several specific objectives have been identified:

- To acquaint bank officers with the tools and techniques used in trade finance.
- To enhance the understanding of bank officers regarding the rules, regulations, and policies governing foreign exchange transactions.
- To analyze the various factors and methods employed in foreign exchange operations.
- To conduct a year-by-year comparison of Rupali Bank PLC's import, export, and foreign remittance activities.
- To propose strategies for improving the bank's foreign exchange performance.
- To empower the workforce involved in foreign exchange transactions to carry out their duties with greater confidence.

1.5. Limitations of the Study:

While preparing this report, I encountered several challenges that introduced certain limitations. These limitations emerged during the phases of data collection, information gathering, and report preparation, and they are outlined as follows:

- Certain aspects of banking operations are not covered by our academic courses, leading to difficulties in comprehending some of the bank's activities. This highlights a gap between theoretical knowledge and practical banking practices.
- The bank's authorities were not inclined to allocate sufficient time for discussions, making it challenging to explore various issues in depth.
- Time constraints posed a significant challenge, limiting my ability to collect comprehensive data and interview multiple bank officials on topics critical to the study's completeness.
- Due to competitive concerns, Rupali Bank PLC was hesitant to share detailed information about their practices, policies, and strategic flexibilities.
- The primary resource available to me was the RBPLC Foreign Trade Manual, which restricted the possibility of conducting a comparative analysis over different periods.

- Every organization maintains a level of confidentiality, and this was evident when interviewing bank employees, as they were reluctant to share detailed information to protect the organization's secrets.
- The bank personnel were often occupied with their responsibilities, allowing them only a brief amount of time to assist me.

Despite these challenges, I have made every effort to deliver a comprehensive and accurate report to the best of my ability.

Chapter 02

Methodology

2.2. Methods of collecting data

To achieve the study's objectives, I recognized the need for a multifaceted approach. Relying solely on one method would not suffice, so I employed a combination of formal and informal discussions, direct observation, client interviews, and review of the Bank's printed materials. Both primary and secondary data sources were utilized.

Primary Data Collection Methods:

- Hands-on experience at the desk
- Direct observations
- Interviews with clients

Secondary Data Collection Methods:

- Annual reports from Rupali Bank PLC (RBPLC) and other banks
- Information from websites and the internet
- Audit reports
- RBPLC's foreign trade manual
- Relevant books, research papers, journals, and reports from the Central Bank

I analyzed primary data through interviews and conversations while also incorporating data from secondary sources. The collected data were processed using Microsoft Excel for spreadsheet and graphical presentations.

Terms Covered:

The evaluation of RBPLC's foreign exchange performance included analysis of the following aspects:

- Foreign exchange policy
- Import and export transactions
- Foreign remittance transactions
- Inflow and outflow of remittances

Software Used:

The data processing was done using Microsoft Word and Excel. Tables and graphs were created with the help of Excel and SPSS software.

Chapter 03

Organizational Profile of Rupali Bank PLC

3.1. Overview of Rupali Bank PLC

Rupali Bank PLC (RBPLC) was established through the merger of three commercial banks: Muslim Commercial Bank OLC, Australasia Bank PLC, and Standard Bank PLC, all of which operated during the Pakistan period. Following the Bangladesh Banks (Nationalization) Order 1972 (P.O. No. 26 of 1972), these banks were combined, bringing together their assets, rights, liabilities, and obligations. Rupali Bank functioned as a nationalized commercial bank until December 13, 1986. On December 14, 1986, it transitioned into Rupali Bank PLC, becoming the largest public PLC banking company in Bangladesh. The bank automated its foreign exchange services in January 1999.

Currently, Rupali Bank PLC operates through 586 branches, maintaining connections with forty foreign correspondent banks across the globe. The Corporate Head Office is situated at 34, Dilkusha, C/A, Dhaka-1000. The bank's structure includes a local office (main branch), twelve corporate branches headed by Deputy General Managers (DGMs), forty-five corporate branches led by Assistant General Managers (AGMs), and ten divisional offices throughout the country. The Board of Directors, chaired by a representative from the public sector, comprises thirteen members, including representatives from both the public and private sectors, as well as shareholders. The bank is led by a Managing Director (Chief Executive Officer), who is a highly respected professional banker.

Rupali Bank PLC has an authorized capital of TK 7,000 million, with a paid-up capital of TK 4,646 million. The Government of Bangladesh owns 90.19% of the bank's shares, while private ownership accounts for the remaining 9.81%.

With over five decades of history, Rupali Bank PLC leverages its extensive legacy to serve the nation by promoting financial prosperity, holistic development, and financial inclusion. As a leading state-owned commercial bank in Bangladesh, Rupali Bank has developed its principles to support all sectors of the economy and society. This is achieved by diversifying and strengthening its business operations, enhancing its value propositions, and focusing on customer needs. The bank is committed to incorporating integrated thinking into its business practices and reporting. This report, intended primarily for investors, also provides valuable information for other stakeholders.

3.2. Corporate Profile of Rupali Bank PLC:

Name of the Company	**:** Rupali Bank PLC
Chairman	**:** Md. Nazrul Huda
Managing Director & CEO	**:** Mohammad Jahangir
Company Secretary	**:** Mohammed Shahedur Rahman
Legal Status	**:** Public Limited Company
Commencement of Business	**:** 14th Decmber 1986, Issue No. 6031-32
Genesis	**:** Rupali Bank PLC was established on December 14, 1986, under the Companies Act of 1913, following the acquisition and continuation of the business and assets of Rupali Bank. This included all of its assets, liabilities, rights, powers, authorities, and obligations. Originally a Nationalized Commercial Bank (NCB) under the Bangladesh Banks (Nationalization) Order, 1972 (President's Order No. 26 of 1972), Rupali Bank transitioned to a state-owned commercial bank (SCB) through a vendor agreement dated November 15, 2007.
Date of Corporation	**:** 14 December 1986
Registered Office	**:** 34, Dilkusha, C/A, Dhaka-1000, Bangladesh.
Credit Rating	**:** Long term-A3, Short Term-ST3, National Support-AAA
Listing with DSE	**:** 19-08-1987
Listing with CSE	**:** 10-10-1995
Commencement of trading With DSE & CSE	**:** 23-12-1986
Vat Registration	**:** 9011039307
TIN Certificate	**:** 177-200-0021/LTU/Dhaka

E-TIN Certificate	**:** 637043541293
SWIFT	**:** RUPBBDDH
No. of Branches, sub- branches & ATMs	**:** 586, 23&63
No. of Employees	**:** 7221
No. of Foreign Correspondents	**:** 182
Subsidiary Companies	**:** 1**.** Rupali Investment Limited (RIL), 2. Rupali Bank Securities Limited (RBSL).
Telephone No	**:** +88 02223381840, +88 02223381325
Website	**: www.rupalibank.com.bd**
Email	**:** info@rupalibank.org

3.3. Capital Information:

Authorized Capital : Tk. 7,000,000,000

Paid-up Capital : Tk. 4,646,972,050

Reserve & Retained Earnings : Tk. 292,119,137 [Till September 30, 2018]

Break up of paid-up Capital:

Crore Government shareholding : 90.19%

Private shareholding : 09.81 %

3.4. Distribution of Shares in 2023:

Particulars	Number of Shares	
	As on 31 December 2023	***As on 31 December 2022***
General Public & Institution	45,599,743	45,599,743
Government	419,097,462	419,097,462
Total	464,697,205	464,697,205

Source: 2023 Annual Report of RBPLC

Table 1: Distribution of Shares in 2023

3.7. Vision of RBPLC:

Rupali Bank PLC envisions expanding its loyal customer base by becoming the financial partner of choice, consistently exceeding customer expectations.

3.8. Mission of RBPLC:

- Establish long-term relationships to help customers achieve financial success.
- Offer rewarding career opportunities while fostering staff commitment.
- Provide top-tier customer service.
- Serve as a trusted repository for customers' money and act as their financial advisor.
- Demonstrate team spirit and professionalism in all endeavors.
- Strive to be the leading bank in the industry.
- Uphold corporate and business ethics.
- Maintain ethical standards and promptly meet customers' financial needs, continually innovating to enhance human resources, technological infrastructure, and service offerings.

3.9. Core Values of RBPLC:

- **Social Responsibility:** Committed to contributing to the communities we serve.
- **Performance:** Focused on measuring results and rewarding achievements.
- **Integrity:** Dedicated to maintaining trustworthiness and business ethics.
- **Respect:** Valuing every individual.
- **Innovation:** Encouraging creativity and new ideas.
- **Teamwork:** Collaborating to achieve success.

3.10. Services Offered by RBPLC:

Deposit Services:

Rupali Bank offers a variety of deposit services, including Savings Bank Accounts, Fixed Deposit Accounts, Short Term Deposit Accounts, Current Accounts, Pension Accounts, and Foreign Currency Accounts.

Loans & Advance Services:
The bank provides various loan and lease services such as Micro Credit, SME Financing, Industrial Credit, Working Capital Financing, Export and Import Credit, Bill Purchase, Letter of Credit, Letter of Guarantee, Lease Financing, Transport Financing, Consumer Loan Schemes, General House Building Loans, Government Employee House Building Loans, and Student Loans.

Miscellaneous Services:

Additional services include utility bill payments, cheque clearing, instrument collection, locker services, and collection of university admission fees.

Remittance Services:

The bank facilitates remittance services, including the remittance of funds from abroad by Bangladeshi nationals, and offers services through Western Union, RIA, Trans Express, IME, Xoom, and Xpress Money.

Foreign Exchange Services:

Rupali Bank engages in international business with 40 foreign correspondents, focusing on import, export, and foreign remittance transactions.

3.11. SWOT Analysis of Rupali Bank PLC (RBPLC)

SWOT analysis helps in understanding a company's Strengths and Weaknesses and identifying Opportunities and Threats it faces.

- **Strengths:**
    1. Long-standing reputation and tradition.
    2. Well-known and independent brand.
    3. Strong, reliable, and extensive deposit base.
    4. Large number of loyal customers.
- **Weaknesses:**
    1. Insufficient number of employees.
    2. Weak credit management practices.
    3. High volume of legal disputes.
    4. Elevated rate of loan classification.
    5. Inadequate training programs.
    6. Lack of modern technological tools.
    7. Poor marketing strategies.
    8. Shortage of experienced and skilled officers.
    9. Insufficient seating facilities for clients.
    10. Inadequate monitoring systems.
- **Opportunities:**
    1. Modernization and automation of branches.
    2. Introduction of online banking and ATM services.
    3. Enhanced marketing efforts.
    4. Launch of mobile banking services.
    5. Potential to attract a large number of new clients.
    6.

- **Threats:**
    1. Competition from other state-owned commercial banks.
    2. Rivalry with private and foreign commercial banks in Bangladesh.
    3. Uncompetitive pay, allowances, and benefits for staff.
    4. Political instability.
    5. High loan default rates.
    6. Slow and cumbersome decision-making processes.

3.5. Key Indicators of Rupali Bank PLC (2019-2023):

(All figures are in Tk. crore, unless otherwise indicated)

Particulars	2023	2022	2021	2020	2019
Deposits	66,731.79	58,867.58	57,643.06	53,229.99	41,462.43
Loan & Advances	47,760.12	43,540.08	38,083.37	33,683.52	30,672.40
Investment	20,762.83	15,858.13	18,265.35	15,805.44	10,364.62
Operating Profit	545.92	106.74	118.66	159.67	193.23
Authorized Capital	700.00	700.00	700.00	700.00	700.00
Paid-up Capital	464.70	464.70	455.59	414.17	414.17
Import	17,570.00	17,662.70	27,300.22	11,207.60	15,401.83
Export	3,884.00	4,067.83	3322.59	2,283.45	2,689.27
No. of CBS Branches	586	586	586	583	572
Employees	7221	7164	7084	5935	5641

Source: Key Indicators from Annual Report of RBPLC

Table 2:Key Indicators of Rupali Bank PLC (2019-2023)

3.6. Key Indicators of Rupali Bank PLC (2014-2018):

(All figures are in Tk. crore, unless otherwise indicated)

Particulars	2018	2017	2016	2015	2014
Deposits	38954.95	31948.76	27911.60	25382.96	22165.68
Loan & Advances	24749.06	20667.27	17515.04	14251.50	12501.20
Investment	8233.65	6840.02	7965.12	8265.42	6822.00
Operating Profit	309.50	508.52	(88.78)	250.20	232.70
Authorized Capital	700.00	700.00	700.00	700.00	700.00
Paid-up Capital	376.52	303.64	276.03	240.03	208.73
Import	11402.15	13210.01	10801.36	11987.70	7798.49
Export	2600.20	2298.97	2500.45	2162.78	1941.31
No. of CBS Branches	568	563	562	554	535
Employees	4929	5157	5438	5646	5914

Source: Key Indicators from Annual Report of RBPLC

Table 3:Key Indicators of Rupali Bank PLC (2014-2018)

Chapter 04

Financial Analysis

4.1. Introduction to Financial Analysis:

Financial analysis involves scrutinizing financial statements and other pertinent data to evaluate an organization's financial health and performance. This process typically includes examining a company's income statement, balance sheet, and cash flow statement to assess key aspects such as profitability, liquidity, solvency, and overall financial position. By utilizing appropriate tools and techniques, financial analysis enables informed investment or business decisions and provides insights that can help predict and enhance future performance. It plays a crucial role in evaluating economic trends, setting financial policies, developing long-term business strategies, and identifying potential investment opportunities. Financial analysts delve into a company's financial statements the income statement, balance sheet, and cash flow statement to extract and synthesize financial data, which is essential in both corporate and investment finance settings.

One of the most common approaches in financial analysis is the calculation of ratios from financial statement data. These ratios are used to compare a company's performance against industry peers or its historical performance, offering valuable insights into its financial stability and growth potential.

4.2. Ratio Analysis:

Ratio analysis is a key method used to examine a company's financial statements, particularly the balance sheet and income statement, to gain insights into its liquidity, operational efficiency, and profitability. Rather than relying on a single metric, ratio analysis involves evaluating a variety of financial data points, making it a fundamental component of equity analysis.

Investors and financial experts can analyze a wide range of ratios to make informed predictions about a company's financial stability and potential for future growth. These ratios can be used to track changes in a company's performance over time or to compare its performance with that of other companies within the same industry.

4.2.1. Liquidity Ratio and Solvency Ratio:

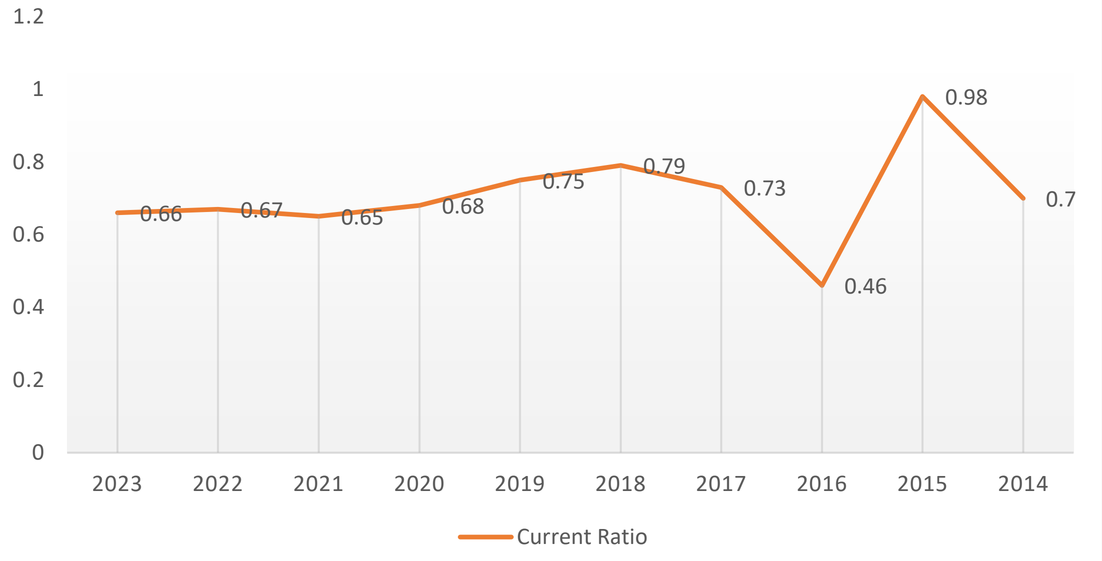
Liquidity ratios are financial metrics that assess a company's ability to meet its short-term debt obligations without needing to secure external capital. These ratios measure how well a company can pay off its current debts and maintain a margin of safety. Key liquidity ratios include the current ratio, quick ratio, and operating cash flow ratio.

On the other hand, solvency ratios evaluate an enterprise's ability to meet its long-term debt obligations, providing a measure of its financial stability. These ratios are particularly important to prospective business lenders, as they indicate whether a company's cash flow is sufficient to cover its long-term liabilities.

Current Ratio:

The current ratio is a liquidity metric that measures a company's ability to meet its short-term debt obligations by comparing its current assets to its current liabilities. This ratio offers a snapshot of the company's financial health in terms of its capacity to cover short-term debts with assets readily available.

Figure 1: Current Ratio of RBPLC



Source: Key Financial Ratio from Annual Report of RBPLC

<u>Interpretation:</u>

The current ratio in 2015 was the highest at 0.98. The ratio shows a general downward trend over the years, with some fluctuations. It reached its lowest point in 2016 at 0.46. After 2016, the current ratio increased to 0.79 in 2018 but then gradually decreased again, reaching 0.66 in 2023. There is a noticeable decline in the current ratio over the period, especially in the recent years from 2018 to 2023. The current ratio has fallen from 0.79 in 2018 to 0.66 in 2023, indicating a potential decrease in the company's ability to cover its short-term liabilities with its short-term assets.

The Debt-to-Equity (D/E) ratio:

The debt-to-equity (D/E) ratio is a financial metric that measures the relationship between a company's total liabilities and its shareholder equity. It indicates how much a company depends on debt to finance its operations compared to its equity. The D/E ratio can differ across industries, making it most effective when comparing companies within the same industry or when analyzing how a company's debt reliance changes over time.

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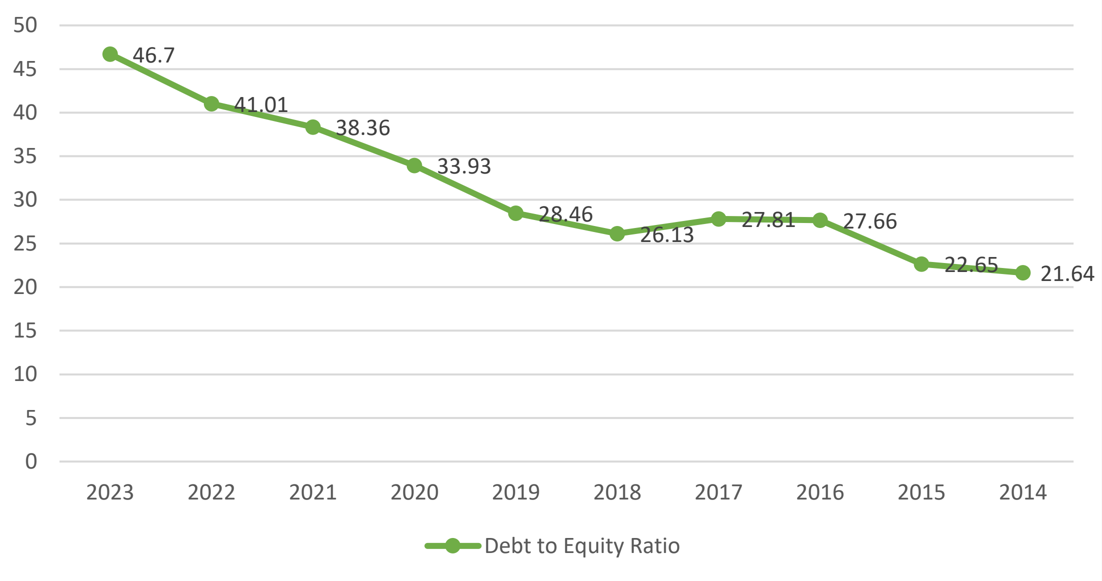
Figure 2:Debt to Equity Ratio of RBPLC



Source: Key Financial Ratio from Annual Report of RBPLC

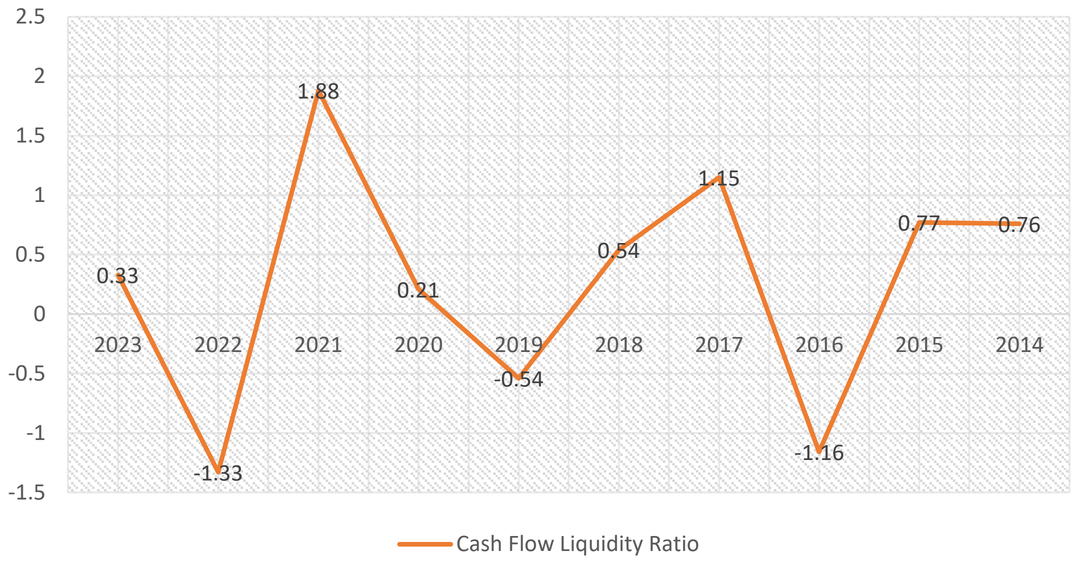
<u>Interpretation:</u>

In 2015, the Debt-to-Equity Ratio was 22.65. The ratio gradually increased over the years, reaching 46.7 in 2023.The ratio shows a steady increase over the nine-year period, from 22.65 in 2015 to 46.7 in 2023.This trend indicates that the company has been taking on more debt relative to its equity over the years. Between 2015 and 2018, the Debt-to-Equity Ratio increased by approximately 3.48 points (from 22.65 to 26.13). However, from 2018 onwards, the ratio saw a more pronounced rise. For example, it increased from 26.13 in 2018 to 46.7 in 2023, an increase of 20.57 points.

Cash Flow Liquidity Ratio:

The Cash Flow Liquidity Ratio is determined by dividing a company's total cash and cash equivalents by its total current liabilities. This ratio measures the company's ability to meet its short-term obligations using only its most liquid assets. A higher ratio suggests that the company has sufficient liquid resources to cover its short-term liabilities without the need to liquidate any other assets.

Figure 3:Cash Flow Liquidity Ratio of RBPLC



Source: Key Financial Ratio from Annual Report of RBPLC

Interpretation:

The ratio fluctuates significantly over the years, with both positive and negative values. The highest ratio was in 2021 at 1.88. The lowest was in 2022 at -1.33. The Cash Flow Liquidity Ratio varies greatly year by year, indicating volatility in the company's ability to cover its short-term liabilities with cash flow from operations. For example, after a strong positive ratio in 2021 (1.88), the ratio dropped sharply to -1.33 in 2022. In 2016, 2019, and 2022, the ratio is negative, suggesting that in these years, the company's operating cash flow was insufficient to cover its short-term liabilities. Negative values can indicate cash flow difficulties, meaning the company may have struggled to generate sufficient cash from operations during those years.

4.2.2. Profitability and Performance Ratios:

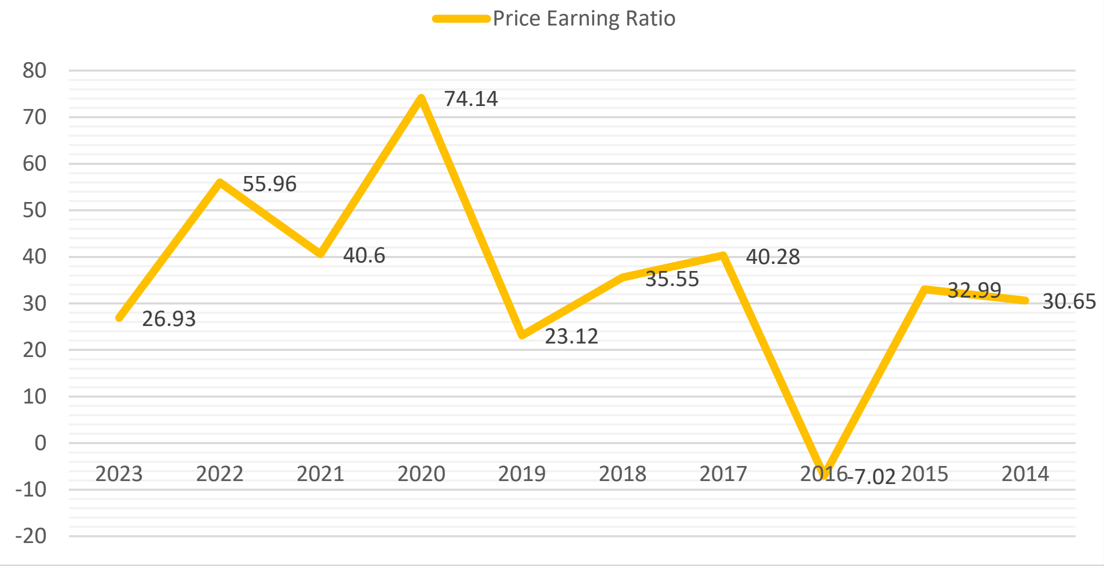
Profitability ratios are financial metrics used to evaluate a company's ability to generate earnings in relation to its revenue, operating costs, assets, or shareholders' equity at a specific point in time. These ratios are widely utilized in financial analysis, offering insights into a company's financial performance and overall health. Rather than being used in isolation, profitability ratios are most effective when employed as comparison tools. They are often paired with efficiency ratios, which assess how efficiently a company utilizes its assets to generate income, focusing on internal operations rather than profits after costs.

Performance ratios, which are calculated from revenue and total expenses on the income statement, gauge a company's ability to generate profits. Key performance ratios include the gross profit ratio and the net profit ratio, both of which are crucial indicators of profitability.

The Price-Earnings Ratio (P/E Ratio):

The Price-Earnings Ratio (P/E Ratio) is a specific metric that compares a company's share price to its earnings per share (EPS). Commonly referred to as P/E ratio, P/E, or PER, it is used to assess whether a company’s stock is overvalued or undervalued, making it a valuable tool for company valuation.

Figure 4:Price Earnings Ratio of RBPLC



Source: Key Financial Ratio from Annual Report of RBPLC

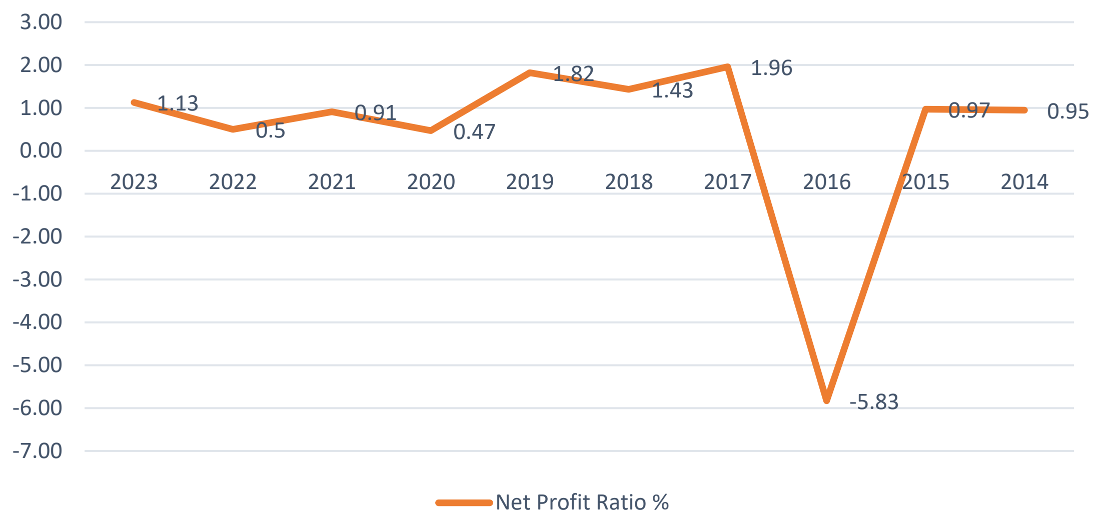
<u>Interpretation:</u>

The P/E ratio varies significantly over the years, ranging from a negative value of -7.02 in 2016 to a high of 74.14 in 2020._The P/E ratio tends to fluctuate widely, reflecting changes in the company's earnings and market valuation._Most years have a positive P/E ratio, indicating that the company was profitable, and the ratio reflects the market's valuation of the company's earnings. The P/E ratio was highest in 2020 at 74.14, suggesting that the market was willing to pay a high price for the company's earnings during that year._The P/E ratio in 2022 was 55.96, also relatively high, indicating strong market expectations or potentially inflated stock prices relative to earnings. The P/E ratio was -7.02 in 2016, which indicates that the company had a net loss that year (negative earnings per share). A negative P/E ratio often signals financial distress or operational challenges.

Net Profit Ratio:

The net profit ratio represents the portion of revenue remaining after accounting for all expenses, taxes, interest, and other financial obligations. In contrast, the gross profit ratio is calculated without considering taxes, interest, or other expenses, focusing solely on the revenue left after subtracting the cost of goods sold. To determine the net profit ratio, you must factor in these additional costs, as it provides a comprehensive view of a company's overall profitability and financial health.

Figure 5:Net Profit Ratio of RBPLC (%)



Source: Key Financial Ratio from Annual Report of RBPLC

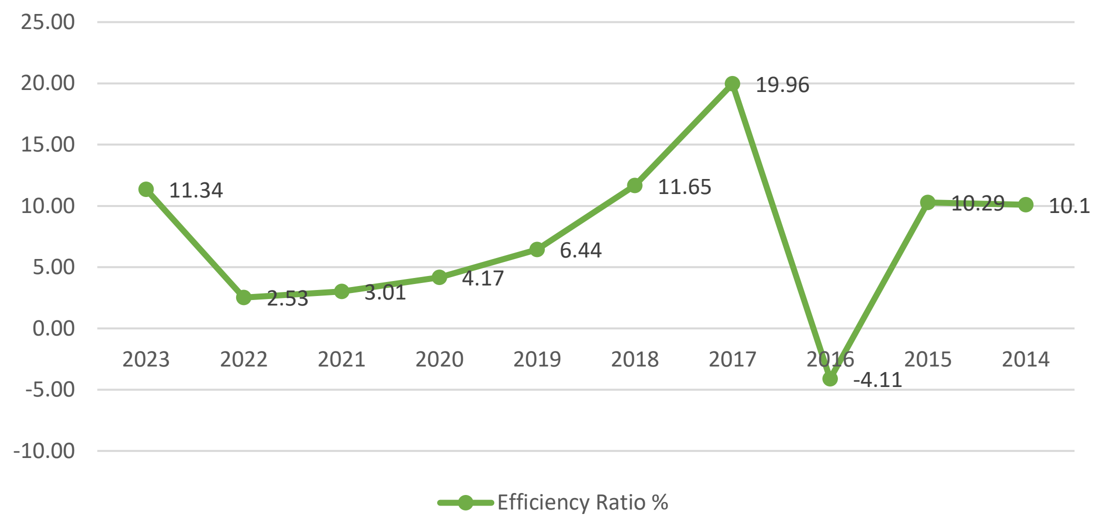
<u>Interpretation:</u>

The Net Profit Ratio fluctuates over the years, with values ranging from 1.96% in 2017 to -5.83% in 2016._The ratio is generally positive except for 2016, where it is negative. The ratio is positive in most years, indicating that the company generated a net profit during these years._The highest net profit ratio was in 2017 at 1.96%. The lowest positive net profit ratio was in 2020 at 0.47%. The net profit ratio in 2016 was -5.83%, indicating that the company incurred a significant net loss during that year. A negative ratio suggests that expenses exceeded revenues, resulting in a loss.2019 saw a relatively high net profit ratio of 1.82%, followed by a decrease in subsequent years.2020 and 2022 show low ratios of 0.47% and 0.5%, respectively, indicating tight profit margins. The net profit ratio improved slightly in 2023 to 1.13%, showing some recovery.

Efficiency ratio:

The efficiency ratio measures expenses as a percentage of revenue, calculated by dividing expenses by revenue. This ratio essentially shows how much a company or individual spends to earn one dollar. Organizations aim to minimize their efficiency ratios by reducing expenses and increasing earnings, striving for greater operational efficiency.

Figure 6:Efficiency Ratio of RBPLC (%)



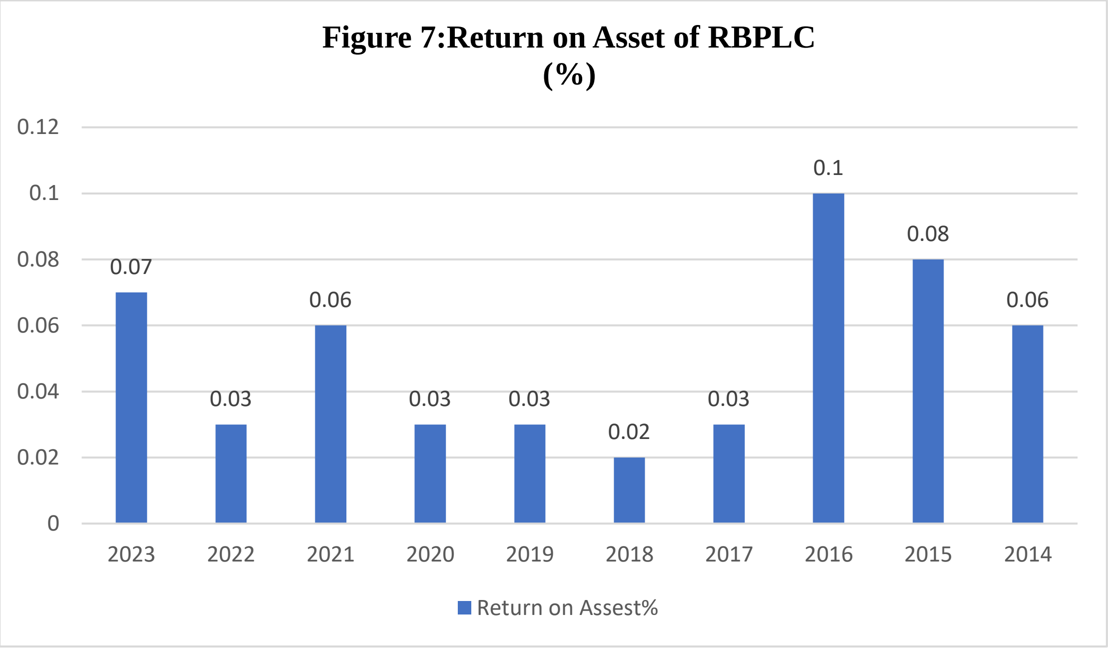
Source: Key Financial Ratio from Annual Report of RBPLC

Interpretation:

The efficiency ratio fluctuates significantly across the years, with values ranging from a low of -4.11% in 2016 to a high of 19.96% in 2017.The ratio is generally positive, except for 2016, where it is negative. The ratio is positive in most years, indicating that the company was able to effectively manage its costs relative to its revenue during these years. The highest efficiency ratio was in 2017 at 19.96%, which suggests that the company was particularly effective in managing its operations that year. The efficiency ratio in 2023 was 11.34%, which is a significant improvement from previous years like 2020 and 2021.The efficiency ratio was -4.11% in 2016, indicating inefficiencies in that year. A negative efficiency ratio often suggests that the company's costs exceeded its ability to generate revenue effectively, leading to operational losses.

Return on Asset (ROA):

Return on Assets (ROA) assesses how effectively a company's management utilizes its total assets to generate profit. Expressed as a percentage, ROA indicates the efficiency with which a company turns its assets into earnings. A higher ROA signifies better management efficiency in leveraging the balance sheet to produce profits.



Source: Key Financial Ratio from Annual Report of RBPLC

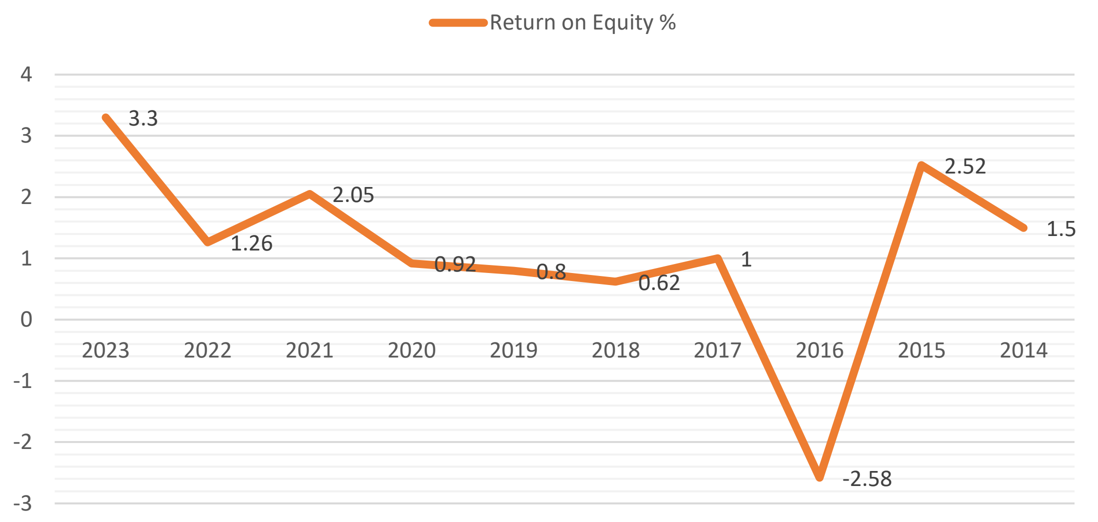
<u>Interpretation:</u>

The ROA fluctuates between 0.02% and 0.1% over the years, indicating varying levels of efficiency in using assets to generate profits. The highest ROA was 0.1% in 2016, and the lowest was 0.02% in 2018.The highest ROA was recorded in 2016 at 0.1%, suggesting that the company was relatively more efficient in using its assets to generate profit during that year. The next highest ROA was in 2015 at 0.08%. The ROA was lower in 2018, at 0.02%, indicating less efficiency in asset utilization that year. The ROA was also low in several other years, like 2017, 2019, and 2020 (each at 0.03%), suggesting consistently modest returns on assets during those periods. In 2021, the ROA increased to 0.06%, indicating improved asset efficiency compared to the previous year. However, in 2022, the ROA dropped to 0.03%, indicating a decline in efficiency. In 2023, the ROA improved slightly to 0.07%, showing a positive trend compared to 2022.

Return on Equity (ROE):

Return on Equity (ROE) evaluates a company's financial performance by dividing net income by shareholders' equity. Since shareholders' equity represents the difference between a company's assets and its liabilities, ROE effectively measures the return generated on net assets. This ratio provides insight into how well a company is utilizing shareholders' funds to generate profits.

Figure 8: Return on Equity of RBPLC (%)



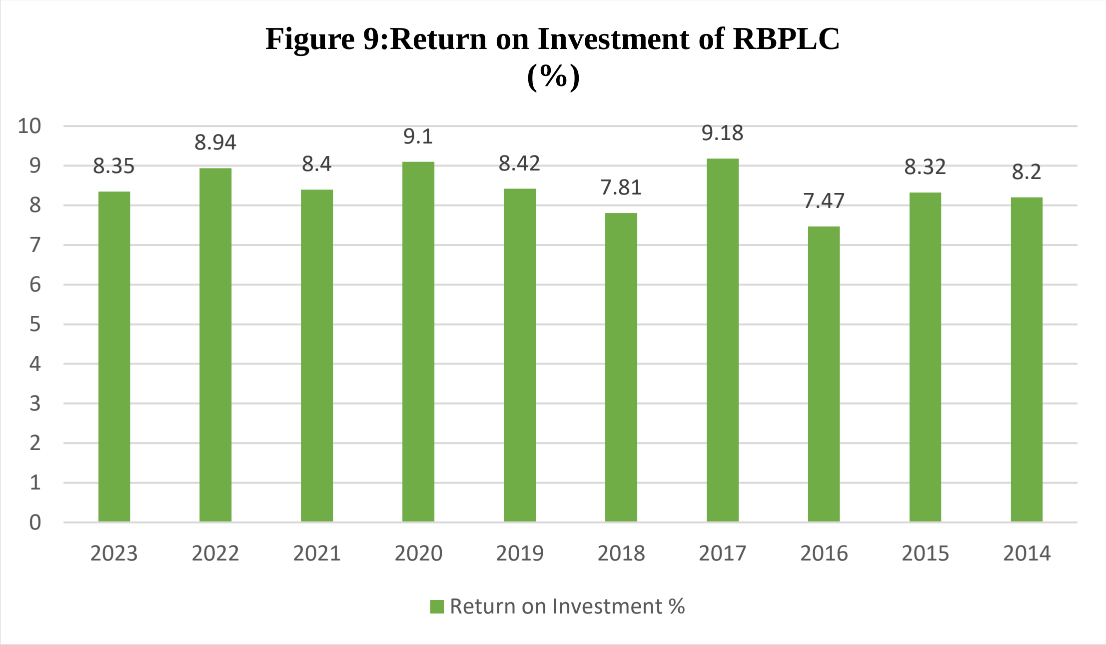
Source: Key Financial Ratio from Annual Report of RBPLC

<u>Interpretation:</u>

The ROE fluctuates over the years, ranging from a high of 3.3% in 2023 to a low of -2.58% in 2016.The ROE is generally positive, except for 2016, where it is negative. The ROE is positive in most years, indicating that the company was able to generate a return on shareholders' equity during these periods. The highest ROE is observed in 2023 at 3.3%, which suggests strong performance in that year. Other notable years include 2015 with 2.52% and 2021 with 2.05%. The ROE was -2.58% in 2016, indicating that the company incurred a loss relative to shareholders' equity. This suggests that equity holders did not receive any returns, and instead, their equity value decreased.

Return on Investment (ROI):

Return on Investment (ROI) is a performance metric used to assess the efficiency or profitability of an investment and to compare the performance of various investments. It quantifies the return on a specific investment relative to its cost. Key factors affecting ROI include the initial amount invested, ongoing maintenance expenses, and the cash flow generated by the investment.



Source: Key Financial Ratio from Annual Report of RBPLC

Interpretation:

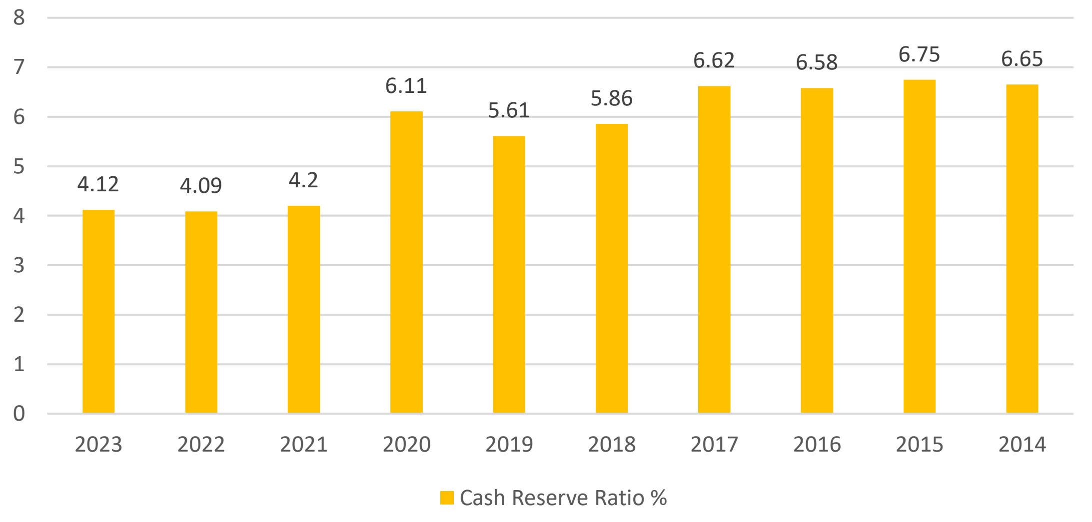
The ROI values are relatively stable, with most years showing an ROI close to or above 8%. The highest ROI is 9.18% in 2017, suggesting a particularly strong year in terms of investment returns. The lowest ROI was 7.47% in 2016, indicating slightly lower returns during that year. The ROI has remained within a narrow range in recent years, from 8.35% to 9.1%.2020 saw a peak at 9.1%, followed by a slight decline in the following years, with 2023 ending at 8.35%. The slight variations in ROI suggest a stable investment return profile with minor fluctuations. The years 2017 and 2020 had particularly strong ROIs at 9.18% and 9.1%, respectively. This suggests that during these years, investments were yielding higher returns. Conversely, 2016 and 2018 had slightly lower ROIs at 7.47% and 7.81%, respectively, indicating comparatively lower returns during those years.

4.2.3. Business Ratio/Information:

Cash Reserve Ratio (CRR):

The Cash Reserve Ratio (CRR) is a regulatory requirement imposed by central banks in many countries. It dictates the minimum percentage of customer deposits and currency that commercial banks must keep as reserves with the central bank. This regulation ensures that banks maintain sufficient liquidity to meet withdrawal demands and stabilize the financial system.

Figure 10:Cash Reserve Ratio of RBPLC (%)



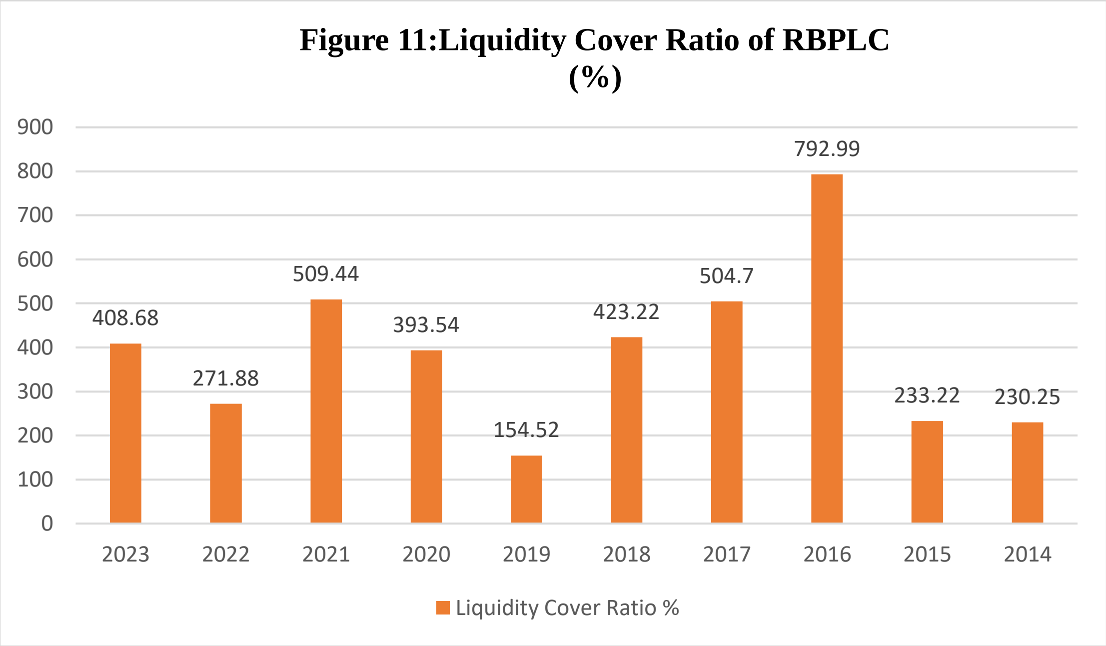
Source: Key Financial Ratio from Annual Report of RBPLC

<u>Interpretation:</u>

The CRR has decreased over the years from 6.75% in 2015 to 4.12% in 2023. This indicates a downward trend in the reserve requirements set by the central bank. There is a noticeable drop from 6.75% in 2015 to 6.58% in 2016, which continued to decline more sharply in subsequent years. The CRR saw a significant reduction in 2020, dropping to 6.11% from 5.86% in 2019. This could be due to measures taken in response to economic conditions, such as the COVID-19 pandemic. The CRR continued to decrease over the next few years, reaching 4.12% in 2023.The CRR has fluctuated slightly in the more recent years (2021 to 2023), with values hovering around 4.1% to 4.2%.

Liquidity Cover Ratio (LCR):

The Liquidity Coverage Ratio (LCR) measures the proportion of highly liquid assets that financial institutions are required to maintain to meet their short-term obligations and manage potential market disruptions. This requirement is established by international banking regulations, specifically the Basel Accords.



Source: Key Financial Ratio from Annual Report of RBPLC

<u>Interpretation:</u>

The LCR has varied significantly over the years, with the highest value recorded in 2016 at 792.99% and the lowest in 2019 at 154.52%. There seems to be a pattern of fluctuation with some peaks and troughs over the years. The LCR was high in 2021 at 509.44% but decreased to 271.88% in 2022. It increased again to 408.68% in 2023.The ratio saw a notable drop in 2019 compared to the surrounding years but increased again in the following years. The substantial fluctuations, particularly the significant drop from 792.99% in 2016 to 154.52% in 2019, and the subsequent rise, could reflect changes in regulatory requirements, market conditions, or bank-specific liquidity strategies

Chapter 05

Foreign Exchange Operation of Rupali Bank PLC

5.1. Introduction:

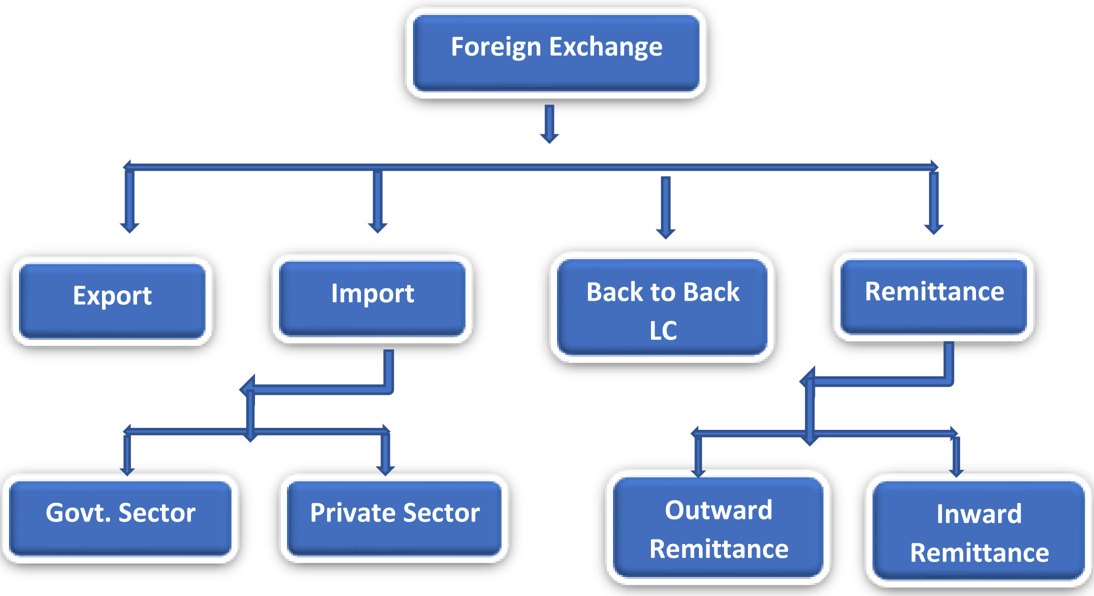
Foreign trade financing is a crucial component of the banking sector, with Documentary Credit (commonly known as letters of credit or "L/Cs") playing a central role in international trade. As economies globalize, international trade has become increasingly competitive, making timely payments and swift delivery of goods essential for successful operations. The growing complexity of international trade, coupled with the geographical separation of commercial parties and unfamiliar operating environments, has highlighted the need for a system that balances the expectations of both buyers and sellers.

Documentary Credit has emerged as a crucial method for trade payments, addressing these needs by significantly reducing payment-related risks for both exporters and importers. This system is particularly important in international trade, especially between distant partners, as it ensures secure payment upon the presentation and verification of required documents, such as the bill of lading, invoice, and inspection certificate.

This section of the report will cover the following topics:

1. International Trade: Import & Export
2. Foreign Exchange Banking Terms & Rules
3. Foreign Exchange Rates & Foreign Remittance

Foreign exchange transactions are categorized based on their specific activities.



5.2. International Trade:

Private sector outward remittance, inward remittance, and international trade involve transactions between countries and the rest of the world. In today's global economy, countries enjoy unrestricted access to each other's markets, allowing the exchange of high-quality goods and services. This interconnectedness is a hallmark of globalization, facilitating cross-border economic activities.

International Trade has two components – as following Import & Export.

To manage international transactions effectively, a written contract between the buyer and seller is essential. In international trade, banks often become involved in these contracts, transforming them into letters of credit (L/C). This mechanism ensures that international trades are completed smoothly.

5.3. Functions of the Foreign Exchange Department:

1. Opening Letters of Credit (L/C)
2. Amending Letters of Credit (L/C)
3. Sanctioning Payments against Documents (PAD), Loans against Imported Merchandise (LIM), and Loans against Trust Receipts (LATR)
4. Issuing Travelers' Cheques (T.C)
5. Purchasing Foreign Bills (FBP)
6. Purchasing Local Bills (LBP)
7. Handling Foreign Remittances
8. Maintaining Foreign Currency Accounts (FC A/C)
9. Remitting Foreign Currency

5.4. Foreign Exchange Mechanism:

1. Opening an L/C
2. The issuing bank creates and sends the L/C to the advising bank
3. The advising bank either confirms or advises the L/C
4. The exporter submits documents to the negotiating bank
5. The negotiating bank processes the payment

6. The negotiating bank sends the documents to the issuing bank
7. The issuing bank makes the payment to the negotiating bank
8. The issuing bank instructs the paying bank to either pay or reimburse the negotiating bank
9. The issuing bank sends the documents to the importer
10. The importer makes the payment

5.5. Definition of L/C:

A Letter of Credit (L/C) is a firm commitment by the issuing bank on behalf of its customer (importer) to pay a specified amount to the supplier (exporter) within a set timeframe, provided that the terms and conditions of the credit are met.

5.6. Types of Letters of Credit:

1. **Revocable Credit:** Can be amended or canceled by the issuing bank at any time without prior notice to the seller.
2. **Irrevocable Credit:** Represents a firm commitment by the issuing bank that cannot be canceled or altered without the agreement of all parties involved, provided the stipulated documents are presented and conditions are met.

5.7. Special Documentary Credits:

- **Revolving Credit:** Restores the credit to its original amount after it has been used.
- **Transferable Credit:** Allows the original beneficiary to transfer the credit, either fully or partially, to one or more subsequent beneficiaries.
- **Back-to-Back Credit:** A new credit opened based on an original credit in favor of another beneficiary.
- **Anticipatory Credit:** Provides pre-shipment payment to the beneficiary in anticipation of fulfilling the shipment conditions.
- **Red Clause Credit:** Includes a special condition allowing the confirming bank or another nominated bank to advance funds to the beneficiary before document presentation.

5.8. Parties Involved in L/C:

1. The Applicant/Importer/Buyer
2. The Opening Bank/Issuing Bank
3. The Beneficiary/Exporter/Seller
4. The Advising Bank/Transmitting Bank/Notifying Bank
5. The Confirming Bank
6. The Negotiating Bank
7. The Reimbursing Bank/Paying Bank

5.9. Characteristics Required for Opening a Letter of Credit:

- Must have an account at the branch
- Must be a member of the Chamber of Commerce
- Must hold a Tax Identification Number (TIN)
- Must possess an Import Registration Certificate (IRC)
- Must have a Value Added Tax (VAT) certificate

5.10. Import Section:

The Ministry of Commerce regulates imports into Bangladesh under the Import & Export (Controls) Act 1950, with periodic import policy orders and public notices from the Chief Controller of Imports & Exports (CCI&E).

5.10.1. Importer's Application for L/C Limit/Margin:

To secure an import L/C limit, an importer must submit an application to the issuing bank with the following details:

1. Full bank account information
2. Nature of business
3. Requested limit amount
4. Payment terms and conditions
5. Details of goods to be imported
6. Offered securities
7. Repayment schedule

A credit officer reviews the application and prepares a proposal (CLP) for the Head Office Credit Committee (HOCC). If the committee approves the proposal, the limit is sanctioned and communicated to the branch, granting the importer the desired limit.

5.10.2. The L/C Application:

To open a Letter of Credit (L/C) with Rupali Bank PLC, importers must complete a Letter of Credit Application Form, which includes a special adhesive stamp that is canceled upon processing. The importer specifies their desire to open an L/C, including the margin percentage.

Required Information for L/C Application:

1. Full name and address of the importer.
2. Full name and address of the beneficiary.
3. Draft amount.
4. Terms of credit availability (sight payment, acceptance, negotiation, or deferred payment).

5. Deadline for document presentation.
6. Type of sale (CIF, FOB, C&F).
7. Description of commodities, including price, quantity, and indent number.
8. Country of origin.
9. Bangladesh Bank registration number.
10. Import license/LCAF number.
11. IRC (Import Registration Certificate) number.
12. Account number.
13. Required documents.
14. Insurance cover note, policy number, date, and amount.
15. Name and address of the insurance company.
16. Allowance for partial shipment.
17. Allowance for transshipment.
18. Last date for shipment.
19. Last date for negotiation.
20. Any additional terms and conditions.
21. Request for confirmation of the credit by the beneficiary.

Documents Required for L/C Application:

1. **Pro-forma Invoice:** Details of goods, including description, quantity, and unit price provided by the supplier/exporter.
    - **Indent:** A document from the supplier/exporter detailing the goods.
    - **Pro forma Invoice:** Details the goods, including quantity and price, from the supplier/exporter.
2. Insurance cover notes with the issuing company and policy number.
3. Four copies of the Import Form (IMP).

Letter of Credit Authorization (LCA) Form Includes:

1. Importer’s name and address.
2. IRC number and renewal year.
3. L/C amount (both in figures and words).
4. Description of imported items.
5. ITC number/HS code.
6. Importer’s stamp, signature, and seal.

5.10.3. IMP Form Details:

1. Authorized dealer's name and address.
2. Permitted remittance amount (L/C amount).
3. LCA form number, date, and value in Taka.
4. Goods description and quantity.
5. Invoice value in foreign currency (L/C amount).

6. Country of origin.
7. Port of shipment.
8. Transport method (road, ship, air).
9. Port of importation.
10. Indenter's name and address.
11. Indenter's registration with CCI&E and Bangladesh Bank.
12. Applicant's full name and address.
13. Applicant's CCI&E registration number.
14. Type of LCAF.

5.10.4. Scrutiny of L/C Application:

The dealing officer reviews the application to ensure compliance with:

1. UCPDC 500 (Uniform Customs and Practice for Documentary Credits).
2. Exchange Control and Import Trade Regulations.
3. Eligibility of the goods for import.
4. Ensuring the L/C is not in favor of the importer or their agent.
5. Radioactivity report for specific goods.
6. Survey report for used machinery.
7. Verification that the carrying vessel is not from Israel or Serbia-Montenegro.
8. Certificate confirming the item is not older than 5 years for cars.

5.10.5. Precautions for Issuing L/C:

Before issuing an L/C, the officer must verify:

1. Consistency with Exchange Control and Import Trade Regulations (UCPDC 500).
2. The L/C is not in favor of the importer or their agent.
3. The importer agrees to all terms and conditions and has signed the L/C.
4. Indenting registration number.
5. Properly completed and signed IMP form.
6. Validity of the Import Registration Certificate (IRC).
7. Insurance cover note with shipment date.
8. Harmonized System (HS) code of the goods.
9. Importer's account balance.
10. Goods and vessels are not from Israel.
11. Aim to secure the maximum margin possible.

5.10.6. Amendment of L/C:

If the buyer and seller cannot fully meet the terms of the L/C, the credit may need to be amended. The issuing bank sends the amendment to the advising bank via tested telex. For revocable credits, amendments or cancellations can occur without prior notice to the beneficiary. Service and telex charges for amendments are debited to the party's account.

5.10.7. Credit Report on Beneficiary:

Before opening an L/C, the Authorized Dealer (A/D) branch must obtain a confidential credit report on the supplier/beneficiary from correspondent banks or recognized credit agencies.

5.10.8. Accounting and Voucher Processing:

Upon opening the L/C, the importer must deposit a cash margin according to the sanction terms. The deposit is credited to the Margin Deposit Account. The following vouchers are processed:

Margin Deposit:

Dr. Customers' Current A/C

Cr. Other Deposit – Margin Deposit L/C (Foreign)

Liability Vouchers for L/C:

Dr. Customers' Liability under Foreign L/C

Cr. Acceptance Liability under Foreign L/C

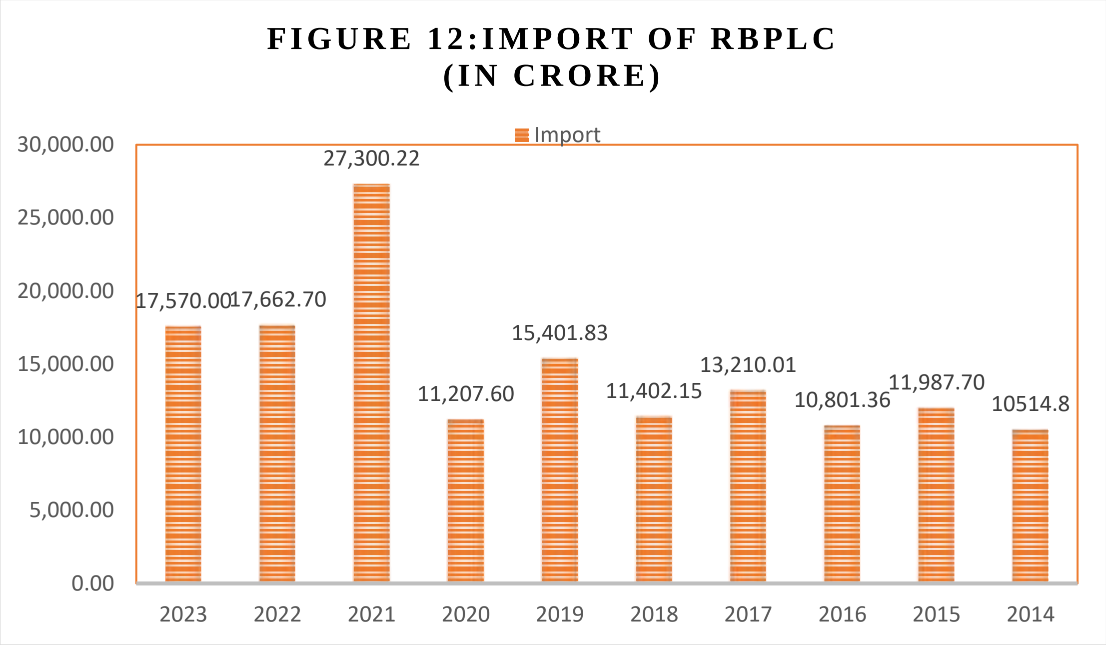
Showing Accounting Treatment at the Time of L/C Opening:

Particulars	Debit/ Credit	Charges in Taka
Customer's A/C	Debit	
L/C Margin A/C	Credit	Commonly 10-30%
Commission A/C on L/C	Credit	0.5%
VA	Credit	15% on commission
SWIFT Charge	Credit	Tk. 2000/=
Foreign Courier Charge (FCC)	Credit	US$ 25/=
Stamp	Credit	Tk. 150/=
Others	Credit	Tk. 200/=

Source: Rupali Bank PLC Website

Table 4:Accounting Treatment at the Time of L/C Opening

5.11. Import Highlights (2015-2023):



Source: Key Indicator from Annual Repot of RBPLC

Interpretation:

The graph presents annual import values from 2015 to 2023.The highest import value during this period is in 2021 with 27,300.22 crore. The lowest import value is in 2016 with 10,801.36 crore. There is noticeable fluctuation in the import values, with a significant peak in 2021 followed by a drop in 2022 and 2023. Imports were relatively stable from 2015 to 2020, with some fluctuations, but saw a sharp increase in 2021.

5.12. Export Section:

Rupali Bank Limited provides two types of Letters of Credit (L/C) services in the export sector: **Back-to-Back L/C** and **Export L/C**.

5.12.1. Back-to-Back L/C

The Back-to-Back L/C involves creating two separate L/Cs: a Master Export L/C (Selling L/C) and a Back-to-Back L/C (Buying L/C). This mechanism allows the bank to issue a Back-to-Back L/C on the strength of the Master L/C. This type of L/C is particularly useful for importing goods or raw materials necessary for further processing and export.

Key Features of Back-to-Back L/C:

- It serves as an import L/C for acquiring goods or raw materials needed for processing.
- The Back-to-Back L/C is issued based on the Master Export L/C.
- It functions as a form of export financing.
- While the Export L/C is typically at sight, the Back-to-Back L/C is not.
- No margin is required to open a Back-to-Back L/C.

Checklist for Opening a Back-to-Back L/C:

- The applicant must be registered with CCI&E and hold a bonded warehouse license.
- The Master L/C must be valid for an adequate period and free of defective clauses.
- The L/C value should not exceed the permissible percentage of the net FOB value of the Master L/C.
- The usage period for the L/C can be up to 180 days.
- Required documents include the Import Registration Certificate, Export Registration Certificate, L/C Application, LCA form, Pro forma Invoice/Indent, Insurance Policy, and IMP form.
- For the ready-made garments industry, additional documents such as a bonded warehouse license, quota allocation letter from the EPB (if applicable), and a letter of disclaimer from the landlord if the premises are rented, are required.

Steps to Issue a Back-to-Back L/C:

1. Gather all necessary documents.
2. Verify the credit limit.
3. Prepare an offering sheet if no regular credit line is available.
4. Mark a lien on the Master L/C.
5. Issue the Back-to-Back L/C.

Payment under Back-to-Back L/C:

- Payment is made upon maturity using the proceeds from exports.
- If the export fails or if the proceeds are not fully realized, a forced loan (PAD) is created to settle the Back-to-Back L/C payment.

Precautionary Measures:

- Include a clause for a pre-shipment inspection certificate.
- Ensure no shipping guarantees under any circumstances.
- Do not accept discrepant documents.
- Take proper care when amending the Master L/C.

Accounting Treatment for Back-to-Back L/C:

Upon arrival of documents, the following vouchers are passed:

- **Dr.** Customer's Account
- **Cr.** Commission on Acceptance

In case of payment with available funds, the accounting entries are:

- **Dr.** Sundry Deposit - Margin on Acceptance
- **Cr.** Customer's Account

If the customer is paying in foreign currency, the BC rate is applied; for local currency, the national rate is used.

If funds are unavailable, the following vouchers are passed:

- **Dr.** PAD (Payment Against Documents)
- **Cr.** Customer's Account

Reporting to Bangladesh Bank:

At the end of each month, the following reports must be submitted:

- **E-2/P-2 Schedule:** Covers the total monthly import category, including goods, currency, and country.
- **E-3/P-3 Schedule:** Details all charges and commissions, accompanied by T/M forms.
- **IMP Form Disposal:**
    - The original IMP form is sent to Bangladesh Bank with the invoice and indent.
    - The duplicate IMP is retained by the bank along with the bill of entry or certified invoice.
    - The triplicate IMP is kept for the bank's office records.
    - The quadruplicate is submitted to Bangladesh Bank in cases where documents are retired.

5.10.2. Export L/C:

Rupali Bank Limited also offers Export L/C facilities, which are essential for facilitating the export of goods and services from Bangladesh to foreign markets. The primary exports include ready-made garments, jute and jute products, frozen shrimp, and tea.

Formalities for Export L/C:

Export trade in Bangladesh is governed by the Export (Control) Act of 1950, and exporters must adhere to certain formalities:

1. **Export Registration Certificate (ERC):** Exporters must possess a valid ERC, renewed annually, and must include the ERC number on all relevant export documents.

2. **Obtaining EXP Form:** After registration, exporters apply to Rupali Bank with the trade license, ERC, and a certificate from the relevant authority. The EXP form includes details such as:
   - Authorized dealer's name and address.
   - Commodity details and code.
   - Destination country and port.
   - Quantity and L/C value in foreign currency.
   - Sale terms and importer/consignee details.
   - Shipping details, including bill of lading, shipment date, and exporter's information.

3. **Securing the Order:** Once registered, the exporter can secure export orders, usually through direct correspondence with buyers.

4. **Contract Signing:** After securing the order, the exporter signs the contract with the buyer.

5. **Procuring Materials:** Upon receiving the L/C, the exporter procures or manufactures the merchandise for export.

6. **Registration of Sale:** Required for exports involving raw jute and jute products.

7. **Shipment of Goods:** The exporter must prepare and submit various documents at the time of shipment, including:
   - Export form.
   - Copies of the registration certificate, contract, and L/C.
   - Customs copy of the ERF form for jute goods or EPC form for raw jute.
   - Freight certificate, if applicable.
   - Shipping instructions and insurance policy.

After assembling these documents, the exporter submits them along with a letter of indemnity to Rupali Bank for negotiation. If the documents are in order, Rupali Bank purchases them under a Foreign Documentary Bill Purchase (FDBP) arrangement.

Procedure for Foreign Documentary Bill Purchase (FDBP):

If all documents are in order, Rupali Bank purchases them and credits the customer's account after deducting any outstanding amounts for back-to-back L/Cs or packing credit facilities. The following entries are made:

- **Dr.** FDBP Account
- **Cr.** Customer's Account (before realization of proceeds)
- **Dr.** Head Office, ID Account
- **Cr.** FDBP Account

(after realization of proceeds).

5.13. Export Highlights:

Figure 13: Export of RBPLC (In Crore)

Source: Key Indicator from Annual Repot of RBPLC

<u>Interpretation:</u>

The export values show a general upward trend over the years, with some fluctuations. The highest export value occurred in 2022 with 4,067.83 crore. The lowest export value was in 2015 with 2,162.78 crore. There is a notable increase in exports from 2020 to 2022, with the most significant growth between 2020 and 2021. The data suggests that exports have grown steadily, although they peaked in 2022 and slightly decreased in 2023.

5.14. Foreign Remittance Service:

Rupali Bank has been offering modern, technology-driven remittance services to its clients since the 1980s. The Remittance Division, led by a Deputy General Manager, oversees these services, ensuring they are both secure and efficient. In 2020, Rupali Bank achieved the highest growth in foreign remittance among all Bangladeshi banks, with an impressive 188% increase.

Today, Bangladeshi expatriates can easily send foreign remittances to their friends and families either through accounts at Rupali Bank or as cash remittances, which can be collected from any of the bank's branches. These services are supported by 52 partner exchange houses worldwide. Additionally, expatriates can transfer funds directly to beneficiaries' accounts at Rupali Bank through the SWIFT network.

5.14.1. Inward Foreign Remittance:

Inward Foreign Remittance includes various transactions such as private remittances, indenting commissions, recruiting agents' commissions, export bills, importers' claims, gifts, donations, foreign loans, service charges, and foreign currency notes. Remittances from different exchange houses or companies can be received through the NRTK account via demand drafts, telegraphic transfers (TT), and instant cash payments.

5.14.2. Outward Foreign Remittance:

Outward Foreign Remittance encompasses payments for travel expenses (cash foreign currency, traveler's checks), medical expenses, educational expenses, examination or tuition fees, membership fees, profits or dividends from foreign investments, service charges, insurance premiums, Hajj travel expenses, foreign loan repayments, consultation fees, and import payments.

5.14.3. Parties Involved in Foreign Remittance:

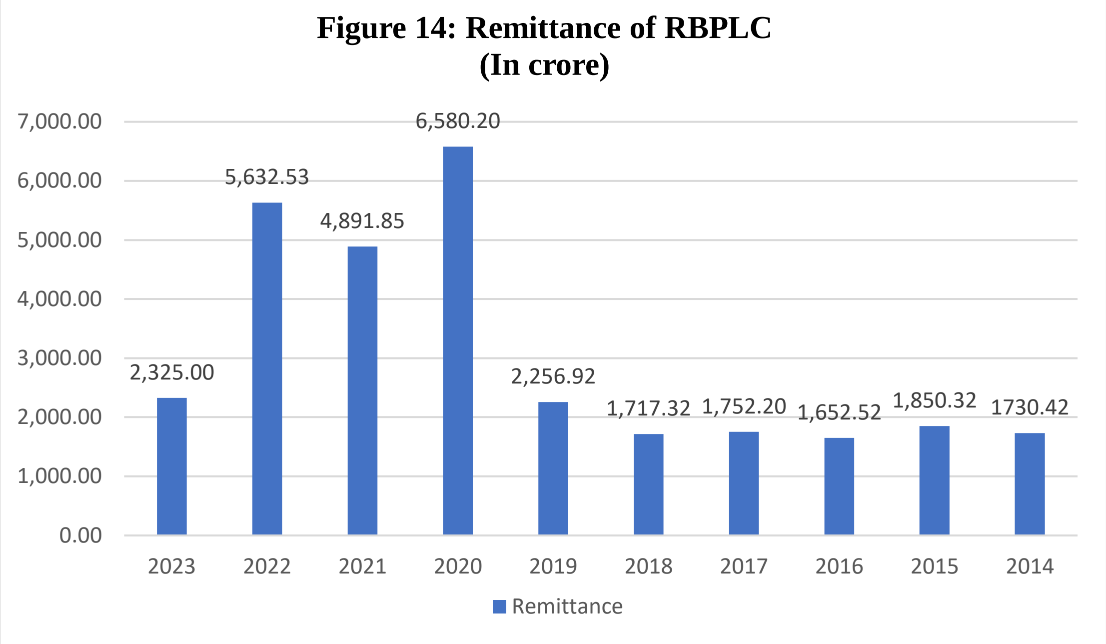
Remitter: The individual or organization sending foreign currency from one country to another. For instance, Bangladeshi workers abroad who send their earnings, such as salaries or commissions, back to Bangladesh.

Remitting Bank: The foreign bank that facilitates the transfer of currency. All foreign currency transactions must go through this banking channel.

Receiving Bank: The bank in Bangladesh that receives the foreign currency. The remitting bank uses the SWIFT network to communicate with the receiving bank and transfer the funds to the designated account.

Beneficiary: The person or organization designated by the remitter to receive the foreign currency.

5.15. Remittance Highlights:

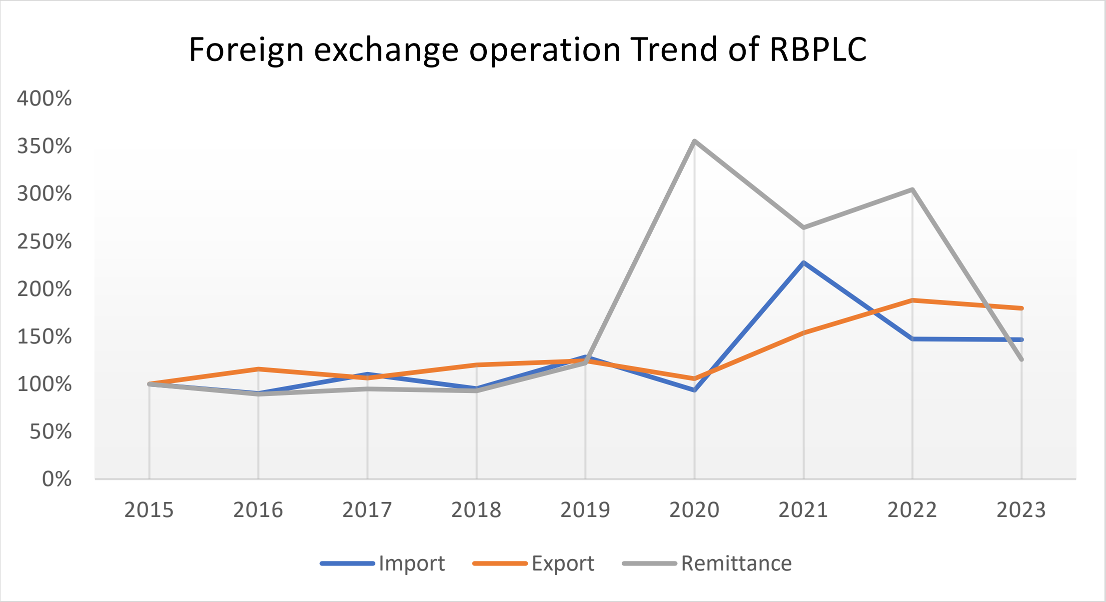


Source: Key Indicator from Annual Repot of RBPLC

<u>Interpretation:</u>

Over the years, the remittance amounts have shown notable fluctuations. In 2023, the remittance recorded was $2,325.00, a decline from $5,632.53 in 2022. The previous year, 2021, saw a remittance of $4,891.85, which was lower than the $6,580.20 received in 2020. The year 2019 registered a remittance of $2,256.92, a slight increase from $1,717.32 in 2018. The figures for 2017 and 2016 were close, with remittances of $1,752.20 and $1,652.52, respectively. The trend began in 2015, where remittance stood at $1,850.32. Overall, the data exhibits an inconsistent pattern of remittance values over the years, with no clear trend of either steady growth or decline.

5.16. Foreign exchange operation trend of RBPLC:



Source: Author's Calculation by Microsoft Excel

Figure 1: Foreign exchange operation Trend of RBPLC

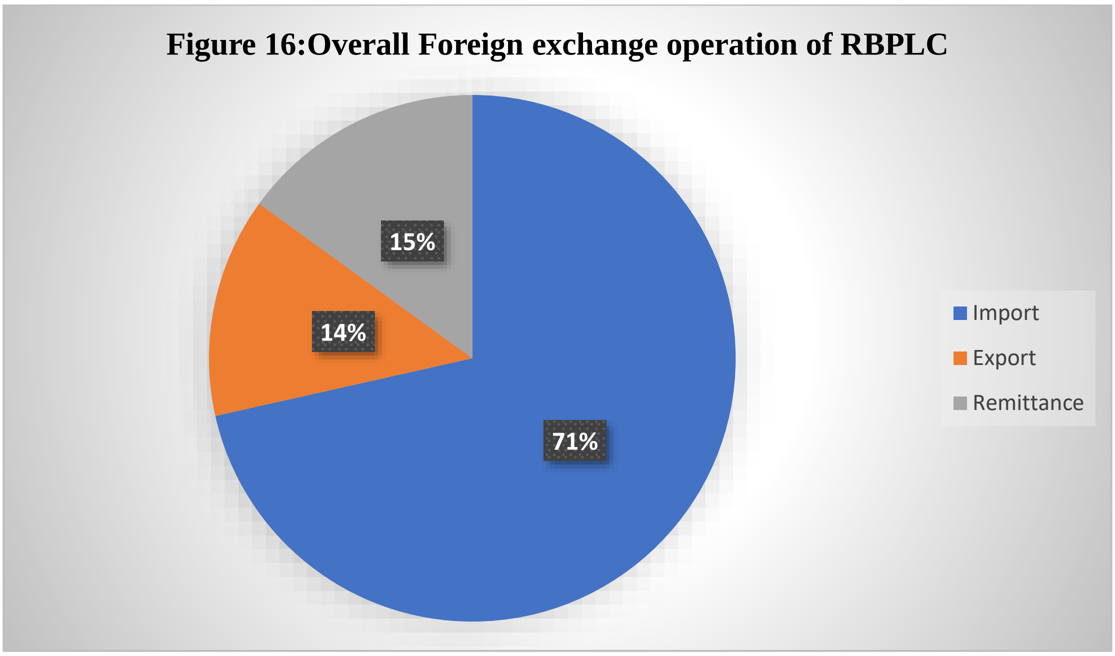
The data on Rupali Bank PLC's foreign exchange operations from 2015 to 2023 shows fluctuating trends across imports, exports, and remittances. Starting with imports, the bank experienced a dip in activity from 100% in 2015 to 90% in 2016, followed by a rise to 110% in 2017. After another decline to 95% in 2018, import activities surged to 128% in 2019 before dropping to 93% in 2020. A significant increase occurred in 2021, with imports reaching 228%, but this growth moderated to 147% in both 2022 and 2023.

Export operations exhibited a more consistent upward trend. After starting at 100% in 2015, exports increased to 116% in 2016 and then fluctuated slightly between 106% in 2017 and 124% in 2019. The year 2020 saw a slight decrease to 106%, but this was followed by robust growth to 154% in 2021, peaking at 188% in 2022, before slightly dipping to 180% in 2023.

Remittances show the most dramatic changes. From 100% in 2015, remittances decreased to 89% in 2016 and remained relatively stable around 93%-95% through 2018. However, 2019 marked the beginning of a sharp rise, with remittances jumping to 122%, and then dramatically increasing to 356% in 2020. Though this spike moderated in the following years, remittances remained significantly higher than earlier years, at 264% in 2021 and 304% in 2022, before falling back to 126% in 2023.

Overall, Rupali Bank PLC's foreign exchange operations show a dynamic landscape, with imports and exports demonstrating periods of both growth and contraction, while remittances have seen significant volatility, particularly during the 2020 to 2022 period.

5.17. Overall Foreign Exchange Performance of RBPLC (2014-2023):



Source: Author's Calculation by Microsoft Excel

<u>Interpretation:</u>

The data on the foreign exchange operations of Rupali Bank PLC indicates that imports dominate the bank's activities, accounting for 71% of the total foreign exchange operations. Exports represent a smaller portion, contributing just 14%, while remittances make up 15%. This distribution highlights the bank's significant involvement in facilitating import transactions, with remittances also playing a crucial role, slightly exceeding the bank's export-related activities. Overall, Rupali Bank PLC's foreign exchange operations are heavily skewed towards imports, with a more balanced but still lesser focus on remittances and exports.

5.18. Foreign Exchange Risk Management of RBPLC:

Foreign exchange risk refers to the potential for a bank's cash flows and asset values to decrease due to fluctuations in exchange rates. At Rupali Bank PLC, the Foreign Trade Finance & International Division is tasked with managing this risk. In line with Bangladesh Bank's guidelines, Rupali Bank PLC has developed a comprehensive Foreign Exchange Risk Management Manual. To ensure effective risk management, the bank has set up Treasury Front Office, Back Office, and Mid Office, each operating through an independent organizational structure as outlined in the manual. The bank's dealers are entrusted with managing the risk across the bank's overall balance sheet and handling capital management. This role demands high responsibility, as it requires making rapid, well-informed decisions to accurately assess and manage foreign exchange risk.

Chapter 6

Working Experience

6.1. My Working Experience on Rupali Bank PLC on Central Bus Terminal Branch, Nathullabad, Barishal:

After completing my 4th year 2nd semester final exam, I went few banks for confirming a bank under which I can complete my internship. I have completed my BBA internship from Rupali Bank PLC at Central Bus Terminal Branch, Nathullabad, Barishal. As an intern, the manager of the branch Mr. Md. Rafiqul Islam supervised me all through my whole internship period. My internship duration is 90 days. I enjoyed myself working over there a lot because the working environment is very good and their employees are very much co-operative and friendly. I worked at Central Bus Termina Branch, Rupali Bank PLC. The journey of my internship with Rupali Bank PLC was very delightful. As an intern, I have no specific job responsibility in this branch. I observed the activities of almost all department of the branch. I was assigned at different desks of most of the division of bank.

I have gathered various working experience on Rupali Bank, Central Bus Terminal Branch, Barishal. This is a business area. So, there is lots of work in the bank. My working experience is given below:

Account opening procedure:

I have learnt the procedure of account opening. For opening bank account, bank is given an application form to the desirable customer. Then the customer provides require documents including two copies passport size photo, in corporation certificate and required certificate. An introducer also needs who have a bank account in this bank. There is various account opening form like current account, savings account, fixed deposit account, DPS & FDR etc.

Account closing procedure:

For closing bank account, the account holder submits a written notice to the bank that he or she wants to close the bank account. Then bank take unused cheque book, bank want to know the reason of closing bank account, the rest amount is given to the customer, closed rubber stamp use top of the respective account opening form, then bank takes some time to do the works. If all the document is real, then bank close the account. Bank charges a fee for closing the account.

Customer's account statement:

Sometimes client want to know their bank account statement. Then bank provide the information about their account statement after confirming real account holder. Here bank checks the name, signature, account no etc.

Cash Collection Department:

In a bank, this is a very restricted department. Nobody is allowed to go there. I was checking the cash voucher at one point.

Loan and advance:

Rupali bank provide rural agricultural commercial and industrial loan for their client. It provides short term as well as long term loan that want to their customer. The interest rate of Rupali Bank is 9% (variable) Before sanction the loan amount bank carefully considers the purpose of the loan, term, condition, installment, and all other legal documents.

Loan Proposal:

Rupali Bank Central Bus Terminal Branch, Barishal, it is business area for this reason there are lot of loan proposal comes to bank. I was also learned about how to prepare loan proposal of customer. At first customer comes to the bank for request a loan. Then the banker checks all the documents of customer and prepare loan proposal.

Loan Collection:

It is a business area Rupali Bank Central Bus Terminal Branch, Barishal. Because of business area there is lot loan transaction. Rupali bank sanction lots of loan like personal loan, business loan, agriculture loan, car loan etc. Maximum businessman in this area takes loan from this bank. It is very difficult to collect loan from the client. It is very important to collect interest on loan from the client. Sometimes I call the client to pay the loan and sometimes if their contract no is off. Then I Visit with the bank officer to client organization or home for recover the loan.

Cheque book issue:

When the cheque book is over bank provide another cheque book to the client. Before getting the book, client must be giving application for new cheque book. Then the cheque book provides to the client after few days. I give the cheque book to the client and put the information to the note book. In this cheque entry book, there are 5 rows.

>In first row is the date row. In this row put the cheque issuing date.

> Second and third row put the no. of the cheque book. And third row is put for first no. and second row put the last no of the cheque book.

In fourth row put the account no.

> In 5th row is for the signature of cheque issuing officer. > In 6th row is signature for the account holder.

Fill the various types of deposit form:

Rupali bank provides various types of deposit account. Like Fixed deposit account, Saving deposit account, Current deposit account etc. Deposit form recruit many information of account holder.

- Two copies of photo in PP format account holder and nominee.
- Two copy of National Id card.
- Account No. and unique id no.
- Monthly income.
- Income source.
- Present and Permanent address.

I put this information on all type of deposit form.

Remittance Section:

A bank remittance is account handover from one bank account to add as a reward or sum. Remittances are used to recompense bills or invoices and are referred via an electronic payment method, wire transmission, mail, draft, or cheque. This department task consisted of filling out and collecting national ID cards and other essential documents.

Delivery the Debit and Credit card:

To issue the debit card, we first checked the signature card and compared it to the person photo. The signature is then entered into the debit card register.

Gain practical knowledge on many activities:

I am gathering huge knowledge from every practical activity of Rupali bank. It is very important for me to get practical knowledge beside theoretical knowledge. I see many activities of bank directly and gather more knowledge. Sometimes cash section, loan section, deposit section etc. Write Debit Voucher

I learn about how to write a debit voucher of Rupali Bank. At first, I write the name of account of the voucher and then write amount in figure and in word.

Other activity:

Face to face communication with customer.

> Consulting the client about different types of account.

> Signature verification seal property attested in the cheque slip. > Seal of posting attached property.

Chapter 07

Findings and Recommendation

7.1. Findings:

7.1.1. Foreign Exchange Operation:

Efficiency: Rupali Bank PLC has a well-established foreign exchange department that effectively manages international trade operations, remittances, and currency exchange. However, there are some inefficiencies in processing time and documentation, which can lead to delays.

Compliance: The bank follows the regulatory framework set by the Bangladesh Bank and adheres to international trade regulations. However, occasional discrepancies were noted in maintaining documentary credits and L/Cs (Letters of Credit).

Risk Management: The bank has mechanisms in place to manage foreign exchange risks, but there is room for improvement in hedging strategies and the use of financial derivatives to mitigate currency risk.

Technology and Automation: The bank's foreign exchange operations are partially automated, but there is still a reliance on manual processes, which increases the risk of human error and operational inefficiencies.

7.1.2. Financial Analysis:

Profitability: Rupali Bank PLC has shown moderate profitability in recent years. However, the profit margins from foreign exchange operations are under pressure due to competition and regulatory constraints.

Liquidity: The bank maintains adequate liquidity levels to meet its short-term obligations, but the liquidity management of foreign exchange reserves could be improved for better returns.

Capital Adequacy: Rupali Bank PLC meets the minimum capital requirements set by regulatory authorities, but its capital base is relatively low compared to industry standards, which may limit its ability to expand foreign exchange operations.

Asset Quality: The bank's asset quality is satisfactory, but there are concerns about non-performing loans (NPLs), particularly in sectors exposed to foreign exchange fluctuations.

7.2. Recommendations:

Enhance Efficiency: Invest in automation and digitalization of foreign exchange operations to reduce processing time and minimize errors. Streamline documentation processes to improve the overall efficiency of international trade transactions.

Strengthen Compliance: Regularly review and update compliance protocols to ensure adherence to both local and international regulations. Implement more robust internal audits and checks to prevent discrepancies in foreign exchange operations.

Improve Risk Management: Develop and implement advanced hedging strategies to manage foreign exchange risk more effectively. Consider using more sophisticated financial derivatives to protect against currency fluctuations.

Leverage Technology: Invest in modern banking technologies to fully automate foreign exchange operations and integrate them with other banking services. Enhance cybersecurity measures to protect sensitive data involved in foreign exchange transactions.

Financial Performance Enhancement: Focus on expanding the bank's capital base to support growth in foreign exchange operations and improve profitability. Optimize the management of foreign exchange reserves to improve returns while maintaining adequate liquidity.

Conclusion

The report on "Foreign Exchange Operation of Rupali Bank PLC" highlights several key aspects of the bank's performance in the foreign exchange domain. Rupali Bank PLC has a well-established foreign exchange department, which plays a critical role in managing international trade operations, remittances, and currency exchange. Despite its solid foundation, there are areas that require attention to enhance efficiency, compliance, risk management, and the overall financial health of the bank. The bank's profitability, while moderate, faces pressure due to competition and regulatory challenges. Additionally, liquidity management, particularly of foreign exchange reserves, could be optimized to ensure better returns. The bank meets the minimum capital requirements, but its relatively low capital base may limit its expansion capabilities in foreign exchange operations.

The report also identifies certain inefficiencies, such as delays in processing and documentation, which could be mitigated through increased automation and digitalization. Furthermore, there is a need for more robust compliance protocols and advanced risk management strategies to mitigate currency risk effectively. In conclusion, while Rupali Bank PLC has demonstrated resilience and competence in its foreign exchange operations, significant improvements are necessary to enhance operational efficiency, profitability, and risk management, ensuring sustained growth and stability in the competitive banking sector.

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