Internship Report
On
An Analysis of the Foreign Exchange Activities of AL-Arafah Islami Bank Limited (AIBL)

Submitted by:
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ID: 2102023001
Major in (Accounting)
Program: BBA
Semester: Spring, 2025
Sonargaon University (SU)

Submitted to:
Department of Business Administration
Sonargaon University (SU)
Submitted For the Partial Fulfillment of the Degree of Executive Master of Business Administration



Sonargaon University (SU)
147/I, Green Road, Tejgaon, Dhaka-1215, Bangladesh.

Date of Submission: 28 April, 2025

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LETTER OF TRANSMITTAL

April 28, 2025

Shafiqul Islam
Lecturer
Department of Business Administration,
Sonargaon University (SU).

Subject: **Submission of Internship Report on "An Analysis of the Foreign Exchange Activities of AL- Arafah Islami Bank Limited (AIBL).**

Dear sir,

I am writing to submit the internship report, which was completed during the time at the organization. The report covers the work that was done during the internship and the experience gained through it.

The report consists of several sections, including an introduction, an overview of the organization, the work carried out during the internship, and a conclusion. Each section provides an in-depth analysis of the tasks performed and their significance.

Throughout the internship, the opportunity to work with experienced professionals has allowed for valuable insights into the industry.

The report has been compiled after careful research and analysis of the tasks carried out during the internship. The aim of this report is to provide a detailed overview of the work and experience gained, while also presenting an objective view of the organization and the work environment.

Your kind consideration and also your cooperation will be highly appreciated.
I am highly obliged for your guide and continuous cooperation and I hope that the report will stand up to your expectations.

Sincerely Yours,

Srabony Talukder
ID: 2102023001
Major in (Accounting)
Program: BBA
Semester: spring 2025
Sonargaon University (SU)

Student's Declaration

I, Srabony Talukder, hereby declare that the presented report of internship titled "An Analysis of the Foreign Exchange Activities of AL-Arafah Islami Bank Limited (AIBL)" is extraordinarily arranged by me.

Sir, as you know I am working in this institution since 25TH February 2025 office BBA Department a base I have chosen the branch as Kajir Hat.

I also confirmed that, the report is only prepared for my academic requirement not for any other purpose. It might not be used with the interest of other competitors.
I understand that plagiarism or any form of academic dishonesty is strictly prohibited and may lead to severe consequences.

I confirm that the content of this report is my own original work and does not include any plagiarized material.

I am fully aware that I am responsible for the authenticity of the information presented in this report and I am ready to face any consequences in case of any discrepancy found.

Srabony Talukder
ID: 2102023001
Major in (Accounting)
Program: BBA
Semester: spring 2025
Sonargaon University (SU)

Letter of Authorization

This is to certify that the internship report entitled "**An Analysis of the Foreign Exchange Activities of AL-Arafah Islami Bank Limited (AIBL)"** is prepared by Srabony Talukder ID: 2102023001 1irement of the BBA program under the Department of Business Administration and the Faculty of Business and Entrepreneurship at Daffodil International University The report is recommended for submission.

Shafiqul Islam
Lecturer
Department of Business Administration
Sonargaon University (SU)

Acknowledgment

The readiness of this report includes the priceless help and collaboration of various individuals, without gaining by whose information, the impressive undertaking of finishing this task couldn't have been cultivated. To begin with heartiest gratitude to Shafiqul Islam, Lecturer

Department of Business Administration, Sonargaon University (SU), for enabling me to take a bit of his significant time and taking into account my torrent of inquiries. I would also like to extend my gratitude to the rest of the team at AIBL. I have had the privilege of working with some incredibly talented individuals, and I have learned so much from each of them.

In conclusion, I would like to express my heartfelt thanks for this opportunity to work at AIBL. This experience will stay with me for the rest of my life, and I am grateful for the skills and knowledge I have gained as a result.

EXECUTIVE SUMMARY

In today's modern civilization, banks are indispensable for economic development, playing a vital role in various aspects of development activities.

The study's scope is extensive, encompassing a detailed analysis of AIBL's foreign exchange operations, with a specific focus on year 2020 to 2025. The objectives include analyzing foreign exchange activities, evaluating export-import procedures, assessing foreign exchange performance, identifying challenges, and proposing solutions.

Methodologically, the study employs a Descriptive Analytical approach with an Exploratory Research orientation, combining primary and secondary data sources. Data collection methods involve interviews, surveys, and questionnaires conducted with key stakeholders, along with an in-depth review of primary and secondary sources. The diverse target population ensures a holistic understanding of AIBL's foreign exchange activities.

Sample sizes and techniques vary, including convenience and judgmental sampling, depending on the stakeholder group. Triangulation data collection enhances the study's credibility, validity, and reliability. Structured questionnaires are used to gather information from the audience. Data sources include face-to-face conversations, practical work experience, file studies, and in- depth case studies as primary sources. Secondary sources comprise AIBL's annual reports, its website, Bangladesh Bank's reports, and selected online reports.

Despite the comprehensive approach, the study faces limitations, such as a lack of easily accessible and well-organized information, time constraints during the internship, and issues related to the confidentiality of certain market-related information. In conclusion, this study is paramount for students and stakeholders in the banking industry, bridging the gap between theory and practice and offering valuable insights for enhancing AIBL's foreign exchange activities. The Problem identification is thoroughly discussed in this study follow by the findings regarding Foreign Exchange Business of AIBL is also discussed in brief context along with proper recommendations for the bank, it also disuse about foreign exchange activity as well as foreign exchange performance evaluation of the AIBL. Finally, the conclusion provides the overall study at a glance followed by the survey questioner and the references.

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Chapter-1
Introduction

Introduction

The role of the banking system within a nation's economy is undeniably crucial. In the context of modern society, a banking institution is indispensable, as it occupies a pivotal position in steering a country's economic development. It forms the very heart of the money market in advanced nations, influencing economic activities and growth significantly. In recent years, the global banking sector has experienced a substantial transformation, driven by factors such as deregulation, technological advancements, and globalization.

Al-Arafah Islami Bank Limited represents an exceptional and specialized financial institution, setting a precedent in South East Asia. This bank predominantly offers conventional banking services and investment activities, distinguished by its unwavering commitment to the profit-loss sharing system rooted in Islamic Shariah principles. Unlike traditional banks, Islami Bank does not reward depositors with interest payments; instead, depositors actively partake in the bank's profitability. The bank also deviates from conventional lending practices by financing long-term projects based on profit-loss sharing, shunning credit facilities with interest. In addition to its financial services, Al-Arafah Islami Bank actively engages in a variety of social welfare initiatives. The banking sector has witnessed a substantial increase in career opportunities, with an attractive work environment and competitive remuneration packages in recent years. Al-Arafah Islami Bank Limited was established as a private limited company on June 18, 2020, in the People's Republic of Bangladesh, with an authorized capital of Tk. 1,000 million (100 Crore) and a paid-up capital of Tk. 10.12 Crore. A significant portion of the capital was made accessible to the public through a shares subscription offering. The bank was formally inaugurated on September 27, 1995, with its Motijheel branch as the principal branch. Its governance is entrusted to a 24-member board of directors, which includes the managing director. The bank is proudly sponsored by distinguished Islamic scholars and devout businessmen in the country, with 100% of its paid-up capital being owned by indigenous shareholders.

Background of the Study

In the years we have seen changes in the global financial world. These changes have been influenced by advancements in technology shifts in market dynamics and evolving customer preferences. Financial institutions have a role to play in supporting activities and international trade by offering services like foreign exchange transactions. This study focuses on Al Arafa Islami Bank Limited (AIBL). Aims to provide insights into its foreign exchange business operations, performance, challenges, and opportunities, for improvement.

Origin of the Study

In the modern era of civilization, the role of banks is undeniably pivotal in sustaining and fostering a nation's economic development. The participation of banks is imperative in nearly every facet of economic activities, whether initiated by the state or any other entity. Their involvement is ubiquitous, and there are few development activities where banks do not play a crucial part. I take great pleasure in sharing my internship experience, a fundamental component of my EMBA program, during which I had the privilege of spending three insightful months with a highly reputable organization. This opportunity allowed me to observe and learn the intricacies of their practices and management. I consider myself fortunate that Al-Arafah Islami Bank Limited (AIBL) extended an internship opportunity to me.

During my internship at Al-Arafah Islami Bank Limited, I was assigned the task of conducting an in-depth analysis of the foreign exchange activities carried out by the bank.

Objectives of the Study

The objectives of the study are following.

- To analyze foreign exchange activities of Al-Arafah Islami Bank Limited;
- To evaluate the foreign exchange performance of Al-Arafah Islami Bank Limited from 2018 to 2022;
- To identify problems related to the foreign exchange activities of Al-Arafah Islami Bank Limited;
- To make some recommendations to solve the problems;

Limitations of the study

There were some problems while I have undergone the internship program.

Lack of *I*nformation: Adequate and in-depth well-organized information is not available to access.

Time Constraints: The specified time is hardly enough to know all the activities of the branch.

Confidentiality of Information: Some of the information needed to explore the current market scenario of the bank may not be disclosed.

Chapter-2
Literature Review

Review of the literature

Foreign exchange (forex) operations are a critical segment of banking activities, particularly for banks involved in international trade and remittance services. Al-Arafah Islami Bank Limited (AIBL), as one of the leading Shariah-based banks in Bangladesh, plays a significant role in foreign exchange markets. Its foreign exchange operations include export financing, import financing, and remittance handling, all aligned with Islamic financial principles that prohibit interest (riba) and speculative transactions (gharar). Understanding AIBL's foreign exchange activities provides insights into how Islamic banks navigate the complexities of international finance while adhering to Shariah compliance. Islamic banks operate based on profit-and-loss sharing, asset-backed financing, and the prohibition of interest. According to Khan and Bhatti (2008), Islamic banks engage in forex transactions mainly through contracts like Murabaha (cost-plus financing), Ijara (leasing), and Wakalah (agency arrangements). Conventional forex activities such as currency speculation and forward contracts are generally prohibited unless structured within Shariah-accepted frameworks. According to Mishkin and Eakins (2018), banks are primary facilitators of foreign exchange through trade financing, hedging, and currency exchange services. Islamic banks add another layer of complexity, needing to balance competitive forex services with strict adherence to Shariah principles. As noted by Iqbal and Mirakhor (2011), compliance requires innovative structuring of trade finance and remittance products. AIBL provides a comprehensive range of foreign exchange services including:Import Financing: Using Islamic modes such as Murabaha and Bai-Muajjal. Export Financing: Through Musharaka (joint venture) or Wakalah arrangements. Remittance Services: Facilitated via partnerships with international money transfer agencies. Recent annual reports and studies (AIBL Annual Report 2023) show that AIBL's foreign exchange business has steadily grown, driven by increased remittance inflows and trade volume, with special focus on compliance and customer trust.

The literature reveals that AIBL's foreign exchange activities are deeply shaped by Islamic financial principles, regulatory frameworks, and competitive market dynamics. Its strategic focus on Shariah compliance, customer-centric services, and innovation in trade finance positions it favorably in Bangladesh's forex market. However, future success will depend on how effectively it navigates regulatory changes, market competition, and technological advancements.

Chapter-3

Methodology of the study

Methodology of the study

The study is categorized as a Descriptive Analytical Study with a focus on the Exploratory Research approach. Both primary and secondary data sources will be utilized. Primary data will

be collected through interviews, surveys, and questionnaires conducted with key stakeholders, including bank officials, customers, and experts in the field of foreign exchange. Secondary data will be obtained from annual reports, financial statements, and relevant literature on foreign exchange and banking practices.

Target population

The target population is diverse and includes bank employees, experts, regulatory authorities, historical financial data, industry reports, academic literature, and bank reports. This multi-faceted approach ensures a comprehensive understanding of the foreign exchange activities of Al-Arafah Islami Bank Limited, its challenges, and potential avenues for improvement.

Sample Size and Technique for Sample Determination

1. Bank Employees.

Sample Size: For employee interviews, a sample size of 10 employees from various roles involved in foreign exchange operations was selected.
Sampling Technique: Judgmental sampling is used to select employees who have significant involvement in foreign exchange operations.

2. Regulatory Authorities.

Sample Size: Interviews or consultations with 5 regulatory authorities provided valuable information.
Sampling Technique: Judgmental sampling is used to select relevant regulatory authorities.

3. Historical Financial Data:

Sample Size: The entire available dataset for the years 2018 to 2022 is used.

Method of Data collection

The essential information and data were primarily acquired through a direct examination of various documents, records, operational procedures, and conversations with the company's staff, supplemented by the utilization of select secondary sources.

Source of Data

Secondary Sources

- ✓ Annual Report of AIBL
- ✓ AIBL's website
- ✓ Bangladesh Bank's Report
- ✓ Internet and Study of selected reports.

Chapter-4
Profile of Al Arafah Islami Bank Ltd.

Overview of Arafah Islami Bank Ltd.

In pursuit of achieving success in both the worldly life and the hereafter, guided by the principles laid out by Allah and His Rasul (SM), Al Arafah Islami Bank Ltd was formally established as a private limited company on June 18, 1995. The official inauguration of the bank took place on September 27, 1995. The bank's authorized capital stands at Tk. 15,000.00 million, with a paid- up capital of Tk. 9,469.58 million as of December 31, 2024. Distinguished Islamic Scholars and devout businessmen within the country played a pivotal role as sponsors in the establishment of the bank, and it's noteworthy that the entire paid-up capital is owned by indigenous shareholders. As of December 31, 2024, the bank's equity amounted to Tk. 3,000.00 crore, its workforce surpassed 7,000 employees by June 21, 2023, and it had a total of 41,053 shareholders as of April 10, 2022. Over the years, the bank has consistently generated profits and distributed substantial dividends. Al Arafah Islami Bank places a strong emphasis on delivering top-notch customer service by integrating modern technology and offering a diverse range of meticulously tailored products and services to meet the varying needs of its customers.

The bank is deeply committed to making a substantial contribution to the national economy and has positively impacted the socio-economic development of the country through its 210 branches, including 23 AD branches spread across the nation.

Goal of the bank

The motto of the Al-Arafah Islami Bank Ltd is to explore a new horizon of innovative modern banking creating an automated and computerized environment providing one stop service and prepare itself to face the new challenges.

Foreign exchange

The global foreign exchange market, often referred to as forex, FX, or the currency market, is a vast and decentralized financial arena where various currencies are traded. This market operates primarily as an over-the-counter (OTC) platform, dealing with the exchange of currencies on a worldwide scale. Its primary function lies in the determination of foreign exchange rates for all currencies, serving as a pivot point for worldwide monetary transactions. Participants engage in the buying, selling, and swapping of currencies, either at current market rates or at predetermined prices. The expansive nature of this market encompasses a wide range of activities related to currency exchange.

Foreign exchange plays a pivotal role in the intricate web of international financial transactions, effectively supporting global activities like international trade, import and export operations, and cross-border capital transfers. It plays a fundamental role in converting one nation's currency into another, thereby serving as a medium for converting claims to wealth in a particular country's currency into claims to wealth in the currency of another nation. Diverse interpretations of foreign exchange are accessible, with the Foreign Exchange Regulation Act of 1947 providing a comprehensive definition. It defines foreign exchange as an assortment of foreign currencies, including deposits, credits, and balances payable in foreign currencies. Moreover, it encompasses various instruments like drafts, traveler's checks, letters of credit, and bills of exchange, all of which are denominated in local currency but payable in foreign currency.

In essence, foreign exchange acts as the linchpin of global financial interactions, facilitating the movement of funds and the conversion of wealth between different currencies. This crucial function is underscored by the Foreign Exchange Regulation Act, which provides the legal framework for understanding foreign exchange. To encapsulate its significance succinctly, it is the mechanism through which one country's currency is transformed into another's, enabling the conversion of rights to wealth denominated in one country's currency into rights to wealth in another country's currency, as eloquently expressed by L.R. Chowdhury.

Foreign trade

Foreign trade, as defined by HEAKAL in 2020, refers to the exchange of goods and services between nations. This practice is primarily rooted in the concept of comparative advantage, which asserts that even technologically disadvantaged countries can identify specific goods that enable them to participate in international trade. Essentially, foreign trade is an extension of the fundamental processes of production, exchange, and consumption inherent to human existence, with the key distinction that producers and consumers are located in different countries. The scope of foreign trade encompasses a wide array of elements, such as goods, services, investments, technology transfer, and more. Successful international trade relies on a seamless connection between the parties involved in these transactions. Financial institutions facilitating such exchanges are commonly known as providers of international banking services.

At its core, international trade involves the movement of goods from the seller to the buyer and the transfer of payments from the buyer to the seller. This dynamic flow of goods and finances is integral to the functioning of global trade.

Administration of Foreign Exchange in Bangladesh

According to the Foreign Exchange Regulation Act of 1947, the government of the People's Republic of Bangladesh has entrusted the administration of foreign exchange to the Bangladesh Bank (BB). Given the numerous exporters and importers in the country who deal with foreign exchange, it is impractical for the BB to manage them on an individual basis. Therefore, provision has been made in the act, enabling the BB to delegate its powers of functions to the following two: -

- Authorized Dealers (AD):

  Under the FER Act, 1947 (Goverment of the people republic of Bangladesh., n.d.), Foreign exchange is concentrated in selected branches of the scheduled banks that are authorized to deal in foreign exchange by Bangladesh Bank. They are known as Authorized Dealers". The transactions are done by Authorized Dealers in accordance with BB. These Authorized Dealers have generally been delegated owners to buy foreign exchange, sell foreign exchange.

- Authorized Dealership License:

Typically, licenses for foreign exchange dealings are exclusively issued to scheduled banks with a presence in Bangladesh. This is contingent on their ability to demonstrate that they maintain a sufficient number of adequately trained staff members for handling foreign exchange transactions and are fully capable of meeting the stipulations of exchange control administration. Moreover, these licenses are granted specifically for each individual branch of authorized dealers.

Letter of Credit

In the realm of international business, transactions often occur between parties who are unfamiliar with each other. In such scenarios, sellers of goods seek assurance that they will receive payment for their exported products. To provide this security, banks issue a guarantee to exporters, promising to make the payment on behalf of the buyer if the buyer fails to do so. This assurance is known as a Letter of Credit, as outlined by Kagan in 2018. Essentially, the bank's Letter of Credit bestows legal validity upon the agreement between the importer and exporter.

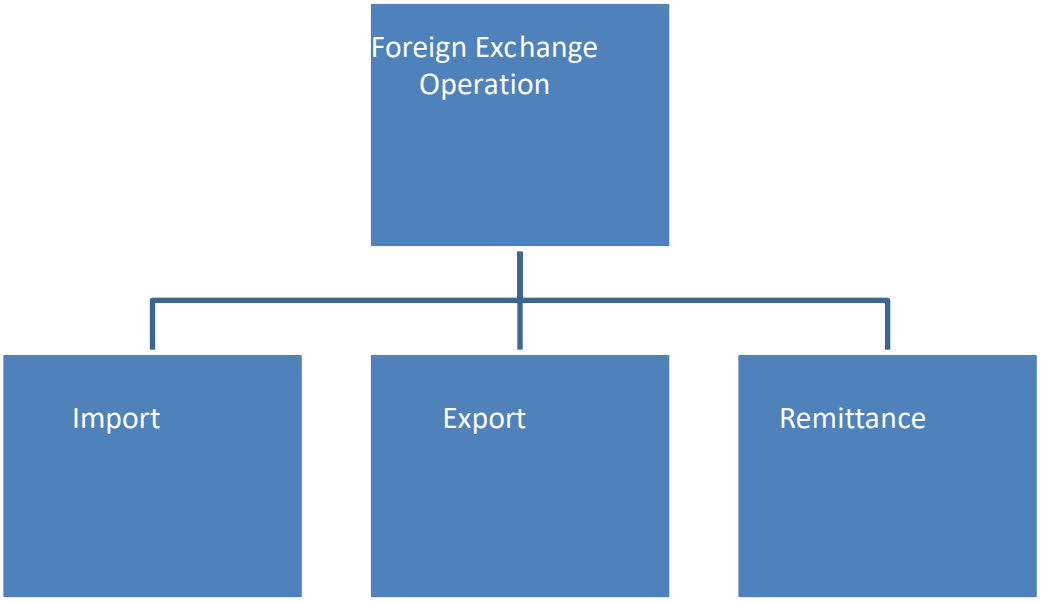
A Letter of Credit is defined as any arrangement, regardless of nomenclature, through which a bank, typically acting at the behest and according to the instructions of a customer (the "Applicant") or independently, commits to making payments, either to a third party (the beneficiary) or for accepting and honoring bills of exchange (drafts) drawn by the beneficiary.

This may also involve authorizing another bank to effect these payments, accept bills of exchange, or negotiate against stipulated documents, subject to specified terms and conditions.

The Foreign Exchange Department at Al-Arafah Islami Bank Limited serves as the bank's international arm. This department actively participates in global financial activities, facilitating international trade through a variety of services. It acts as a critical intermediary between importers, exporters, and remittance processes. Scheduled banks receive licenses from the Bangladesh Bank to engage in foreign exchange operations, earning them the title of Authorized Dealers (AD). These AD branches, authorized for foreign exchange activities, can seamlessly transfer foreign currency from the local country to foreign destinations. As the name suggests, this department primarily handles foreign currency transactions, hence its designation as the foreign exchange department.

Departments of Foreign Exchange

Al-Arafah Islami Bank Limited Dhanmondi branch foreign exchange division has three sub-sections and three officers in charge. The following chart shows these three subsections.



Foreign Exchange Department of AIBL

Foreign exchange risk management by Al-Arafah Islami Bank Limited

Foreign Exchange Risk pertains to the potential alterations in earnings due to fluctuations in market prices. These market variations directly impact various aspects of a country's financial landscape, including bonds, equities, real estate, manufacturing, and all assets accessible to foreign investors. Moreover, foreign exchange rates wield significant influence over the financing

of government deficits and investment in corporate equities, thereby exerting a profound impact on the overall economic climate. Given the inherent volatility of the market, the role of treasury operations becomes exceptionally pivotal.

Within the Treasury Department, there are three distinct segments: the Front Office, Mid Office, and Back Office. The Front Office handles the execution of transactions autonomously, while the Back Office is responsible for verifying these deals and recording them in the financial books. The Mid Office assumes a crucial role in overseeing the Foreign Exchange operations conducted by both the Front and Back Offices and directly communicates this information to the Bank's Managing Director.

SWIFT Service

Al-Arafah Islami Bank Ltd is among the pioneering Bangladeshi banks that have acquired SWIFT (Society for Worldwide Inter-Bank Telecommunication) membership. SWIFT, a cooperative owned by its members, offers a reliable and efficient communication network for various financial transactions, including letter of credit and fund transfers. Through SWIFT membership, the bank has established seamless connections with more than 5700 user institutions across 150 countries worldwide, enabling global financial connectivity. Every branch of AIBL has a separate password. (AIBL (SWIFT), 2003)

Foreign Exchange Activities of Al-Arafah Islami Bank Limited

Importation is the process of acquiring tangible goods from foreign sources, typically achieved by using a Letter of Credit or Authorization Form (LCAF) to make payments in foreign currency to the exporting nation. Importation entails physically transporting the goods to the destination country and settling the costs for the products and the necessary services involved in their delivery to the importer.

Procedure for obtaining IRC (Import Registration Certificate)

- Application form
- Nationality certificate
- Income tax registration certificate
- Trade License from the municipal or the local authority
- Membership Certificate
- Partnership Certificate (for partnership concern)
- Certificate of Registration with the registrar of joint stock Company.
- Memorandum of Association in case of limited Company.
- Bank Certificate
- Ownership documents or rent receipts of the place of business.

- Original Copy of Treasury Challan being payment of registration fees
- Other documents prescribed in the import policy.

Document verification

Upon a thorough examination of the documents to ensure their compliance with the credit's stipulations, the bank proceeds to either make a payment, accept, or negotiate in accordance with the terms set forth in the credit. In cases where the credit allows for negotiation, the issuing bank engages in negotiation with recourse. If the handling bank differs from the issuing bank, the documents are dispatched to the issuing bank. Here, the issuing bank meticulously reviews the documents, and once they ascertain that all requirements have been met, they effectuate the payment to the buyer as per the agreed-upon amount or other terms established between the buyer and the issuing bank. Subsequently, the buyer furnishes the transport documents to the carrier, who then proceeds with the delivery of the goods.

➢ Forms of Letter of Credit: Letter of Credit is basically classified in two forms:

- Revocable Letter of Credit:

A Revocable Letter of Credit is one that can be modified, altered, or canceled with the mutual agreement of both the exporter and importer. In situations involving the seller, this type of credit introduces a level of risk because it allows for potential changes or cancellations even while the goods are in transit or before the presentation of the required documents, and even after presentation but before the payment is made. This scenario could create challenges for the seller in obtaining payment.

Conversely, a revocable letter of credit offers the buyer considerable flexibility, as it permits alterations or cancellations without the need to notify the seller beforehand. This flexibility can extend up to the very moment of payment by the issuing bank, at which point the credit becomes available. However, it's essential to note that in contemporary banking practices, the use of revocable credits is not particularly widespread due to the inherent risks and uncertainties associated with them.

On the other hand, an Irrevocable Letter of Credit operates on the premise that no changes or amendments can be made to any of its clauses without the unanimous consent of all parties involved, including the importer (applicant), exporter (beneficiary), issuing bank, and confirming bank (in the case of a confirmed L/C). An irrevocable letter of credit signifies a steadfast commitment on the part of the issuing bank to ensure payment. This provides the beneficiary with

a high level of confidence that they will receive payment for their goods or services as long as they adhere to the terms stipulated in the credit.

- ✓ Confirmed L/C
- ✓ Transferable L/C
- ✓ Divisible L/C.
- ✓ Back-to-Back L/C
- ✓ Restricted L/C
- ✓ Revolving L/C
- ✓ Repeated L/C:
- ✓ Recourse
- ✓ Recourse
- ✓ Red clause Latter of Credit

Green clause L/C

In accordance with the L/C's stipulated terms and conditions, the seller must go through intermediary banks to process their claim. Consequently, it's evident that there are several parties participating in a Letter of Credit (L/C). The key parties involved in an L/C include:

- ✓ Importer: Seller who applies for opening an L/C.
- ✓ Exporter / Seller / Beneficiary: is the bank on which the bill will be drawn(As per condition of the credit). Usually, it is the issuing bank.
- ✓ Opening / issuing Bank: is the bank which opens/issues a L/C on behalf of the importer.
- ✓ Exporter's Bank i.e., negotiating Bank: is the bank, which negotiates the bliand 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.
- ✓ Reimbursing Bank or paying Bank: is the bank, which would reimburse thenegotiating bank after getting payment - instructions from issuing bank.
- ✓ Exporter's Bank i.e., negotiating Bank: is the bank, which negotiates the bliand 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.

- ✓ Reimbursing Bank or paying Bank: is the bank, which would reimburse thenegotiating bank after getting payment - instructions from issuing bank.

Procedure for Opening Letter of Credit

To initiate the process of opening a Letter of Credit (L/C), the client is required to provide the bank with a formal application in the bank's designated printed format. This document, known as the L/C application form, not only serves as a formal request but also establishes a binding agreement between the importer and the bank. The application form must also be appropriately stamped in accordance with the Stamp Act. In Bangladesh, importers are obliged to furnish the LCA (License for Import), IMP (Import Registration Certificate), as well as the indent or contract. Additionally, a purchase order or pro-forma invoice, duly accepted by the importer, must accompany the L/C application. The completion and signature of the L/C application form should be carried out by an authorized representative of the importer, providing all the requisite details:

- Full name and address of the supplier of beneficiaryand importer.
- Brief description of the goods.
- L/C value for US$, etc. (CFR value) which must not exceed the LCA value.
- The unit price, quantity quality of the goods.
- Origin of the goods, port of loading and port of destination must be mentioned.
- Model of shipment (Sea, Air, Truck or Rail etc.)
- List date of shipment and negotiation time (must not be beyond 30 days from the shipment date).
- Insurance cover note number and name or the company.
- Tenor of draft (1.e, sight/ issuance/ deferred etc.
- Mode of advising L/C (i.e., airmail/ full telex short cable etc.)
- Opening of L/C under UCPDC publication No. 500/- ICC revision 1993.
- Whether shipment/ transshipment is allowed.
- Instruction to add confirmation if required.

Import Related Investments

Loan against Trust Receipts (LTR) is a facility offered to well-established and trustworthy clients, typically limited to first-class, proven parties. This lending arrangement is applicable when customers present a Trust Receipt, which includes documents related to an imported shipment or other goods pledged as collateral to the bank without immediate payment. However, obtaining prior permission or sanction from the Head Office is a prerequisite for availing such advances. Under this

arrangement, the customer essentially holds the goods or the proceeds from their sale in trust on behalf of the bank until the loan secured by the Trust Receipt is entirely repaid. The Trust Receipt serves as a legal document that establishes the bank's right of possession over the goods and essentially equates to a pledge of the sales proceeds as a means of settling the bank's claim.

Loan against Imported Merchandise (LIM)

Loans against merchandise imported through the bank may be granted based on either goods being pledged or hypothecated, with the specific approach determined by the nature of the goods and credit constraints outlined by the Bangladesh Bank.

Payment against Documents (PAD)

This category covers payments made by the bank upon receipt of shipping documents for goods imported via L/C. These are provisional advances linked to imports and are typically settled using funds paid by the party to release the imported goods from the relevant authorities.

Export functions of Al-Arafah Islami Bank Limited

Bangladesh is a significant exporter of various goods and services to international markets, with a particular focus on ready-made textile garments (both knitted and woven), jute and jute-derived products, frozen shrimps, and tea. Among these, the garment sector stands as the primary contributor to the country's export activity. A substantial portion of Bangladesh's ready-made garment products finds its way to the United States and European Community (EC) countries. Notably, approximately 40% of these products are directed to the U.S. market.

Many of the exporters conducting their trade through the AIBL Foreign Exchange Branch are primarily engaged in the ready-made garment sector. They employ this branch to initiate export Letters of Credit (L/Cs) which correspond to the import L/Cs initiated by their foreign importers. This reciprocal process facilitates the lawful movement of goods across borders for the purpose of selling them.

In the context of international trade, export refers to the legitimate transfer of goods or services from one country to another with the intent of selling them. The trade of imports and exports in Bangladesh is subject to the regulations outlined in the Imports Exports Control Act of 1950. Notably, any individual or entity seeking to engage in exports from Bangladesh must be registered with the Chief Controller of Imports and Exports (CCI & E) in accordance with the registration order of 1952. To qualify as an exporter, one must obtain an Export Registration Certificate (ERC)

from the CCI & E office. The Ministry of Commerce, through the Chief Controller of Imports and Exports, exercises export trade control in Bangladesh.

Export credit

Means any credit provided by an institution to an exporter in the form of packing credit or of post shipment credit. In this regard packing credit allowed by the way of loan or advance granted or any other credit provided by and institution to an exporter for financing the purchase, processing or packing of goods on the basis of L/C.

Post-shipment credit refers to any loan, advance, or credit offered by an institution to a goods exporter from Bangladesh. This credit begins after the goods have been shipped and continues until the export proceeds are received. It also encompasses loans or advances given to exporters based on factors like duty drawbacks or incentives.

(1) Export Finance –

- Interest rate
- Incremented incentive on interest for interest-based bank

Extend of export credit

- Credit to first time applicant
- back-to-back L/C.

(2) Substitute Benefit

(3) Duty Draw Back

Remittance

The term "Remittance" finds its etymological roots in the word "remit," signifying the transfer of money or funds. In the context of banking, "remittance" denotes the movement of funds from one location to another. When these funds cross national borders, it is referred to as "Foreign Remittance." This financial practice has assumed an increasingly pivotal role in the economic landscapes of many nations, actively contributing to economic expansion and the well-being of marginalized populations, although typically not the most impoverished segments.

Remittance recipients often demonstrate a higher propensity to possess bank accounts, which, in turn, fosters financial accessibility for both the sender and receiver. This inclusivity stands as a fundamental element in utilizing remittances as a catalyst for economic development. The significance of foreign remittances reverberates not only within the broader economic framework but also within the banking system of a country.

Al-Arafah Islami Bank Ltd., like many other financial institutions, boasts a dedicated foreign exchange department that facilitates the handling of foreign remittances. In this context, major international currencies, such as the US dollar, Euro, British pound, as well as other currencies like the Australian dollar, Canadian dollar, Malaysian ringgit, and those from the Middle East, are actively managed. It is essential to note, however, that foreign exchange departments are not universally available in every branch of Al-Arafah Islami Bank Ltd.

The role of foreign remittance extends beyond the scope of mere monetary transfer; it directly intertwines with the intricate financial ecosystem of both the nation and the banking sector. As these remittances bridge international borders, they not only bolster economic development but also extend the reach of financial services to a more extensive array of individuals, ultimately benefiting economies and individuals alike.

Pay Order (P.O)

A pay order is an official written directive, issued by a bank branch, instructing the payment of a specific amount to a designated individual or financial institution. Essentially, it functions as a bank's self-drawn check payable by the issuing bank.

Demand Draft (DD)

A technique employed by individuals to effect money transfers between bank accounts is the use of demand drafts. These drafts are promoted as a relatively secure means for check cashing. Notably, demand drafts stand apart from regular checks because they do not necessitate a signature for encashment.

Originally, demand drafts were devised to facilitate legitimate telemarketers in withdrawing funds from customer checking accounts. However, the absence of a signature requirement has made demand drafts susceptible to fraudulent misuse.

Creating a demand draft only necessitates the knowledge of a bank account number and a bank routing number, both of which are readily available on a standard check. It's imperative that the demand draft adheres to a specified format or follows a previously supplied specimen copy. In essence, demand drafts have evolved as a convenient tool for fund transfers but their signature- free nature has also made them vulnerable to misuse and abuse. These drafts rely on minimal account information, namely the account number and routing number, which are standard elements found on checks. It's essential to ensure that any demand draft is meticulously formatted according to the prescribed guidelines or a previously provided sample.

Online Banking

Online banking, conducted over the internet, enables customers to perform various banking activities such as depositing money, withdrawing funds, and settling bills conveniently. Al-Arafah Islami Bank Ltd. (AIBL) extends online banking services to its clientele, offering features like inter-branch balance transfers, account balance inquiries, and the provision of account statements, all accessible at the click of a mouse.

The Payment Arrangements

Does the transaction involve a letter of credit, sight draft, time draft, or consignment shipment? The stipulated timeframe for settling export proceeds, representing the entire value of the goods, is six months. However, exports to Indian-owned warehouses abroad allow for a maximum period of 15 months. Importers must fulfill the obligation of presenting customs documents for imported goods. These documents must be submitted before the goods are released from transportation, placed in a bonded warehouse, or removed from a free zone for domestic disposal. The submission of import documents to customs is mandated within three months from the arrival date of the vessel carrying the goods.

Import documents are to be submitted to the customs director in the specific customs district where the goods are unloaded from the vessel. However, if the goods are transported undeclared to another customs district with arrangements for customs processing there, the documents should be submitted in that district.

Chapter-5
Analysis and Findings

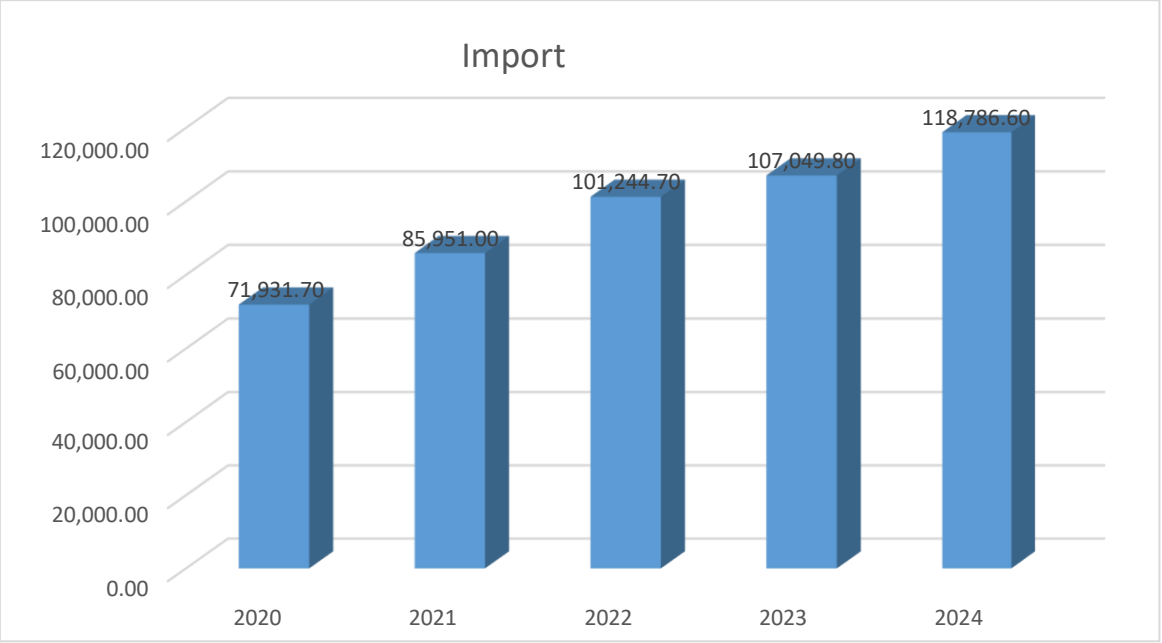
Total 5 Years Foreign Exchange Performance of AIBL

Total import business of the AIBL bank stood at TK 118,786.60 million during the year 2022 as against TK 107,049.80 million and TK 85,951.00 million in the previous year 2021 and 2020 respectively.

(Amount in million TK BD)

Particulars	2020	2021	2022	2023	2024
Import Business	71,931.70	85,951.00	101,244.70	107,049.80	118,786.60

Graphical Presentation:



Interpretation:

The graph shows that the amount of import business of AIBL increased from year 2020 to 2024.

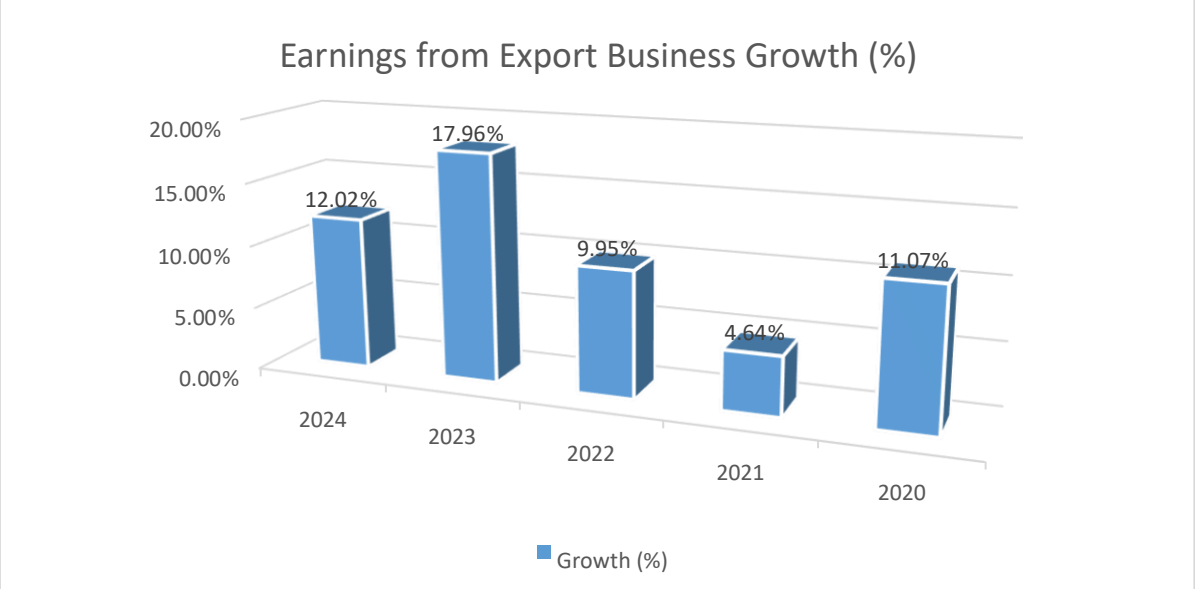
The bank earns highest amount TK 118,786.60 million in 2024.

Earnings from Foreign Import Performance in AIBL:

Our import business increase by TK 11,736.80 million; 10.96% growth in 2022 as compared to increases of TK 5,805.10 million; 5.42% in 2021.

(Amount in million TK BD)					
Particulars	**2020**	**2021**	**2022**	**2023**	**2024**
Growth (%)	(5.49%)	19.44%	17.84%	5.73%	10.96%

Graphical Presentation:



Interpretation:

Here we can see that, graph shows the growth rate of export business of AIBL increased from year 2023 than 2024. The bank earns highest growth rate 17.96% in 2020. It has not any negative growth rate but in 2021 it falls down and nowadays it's growing.

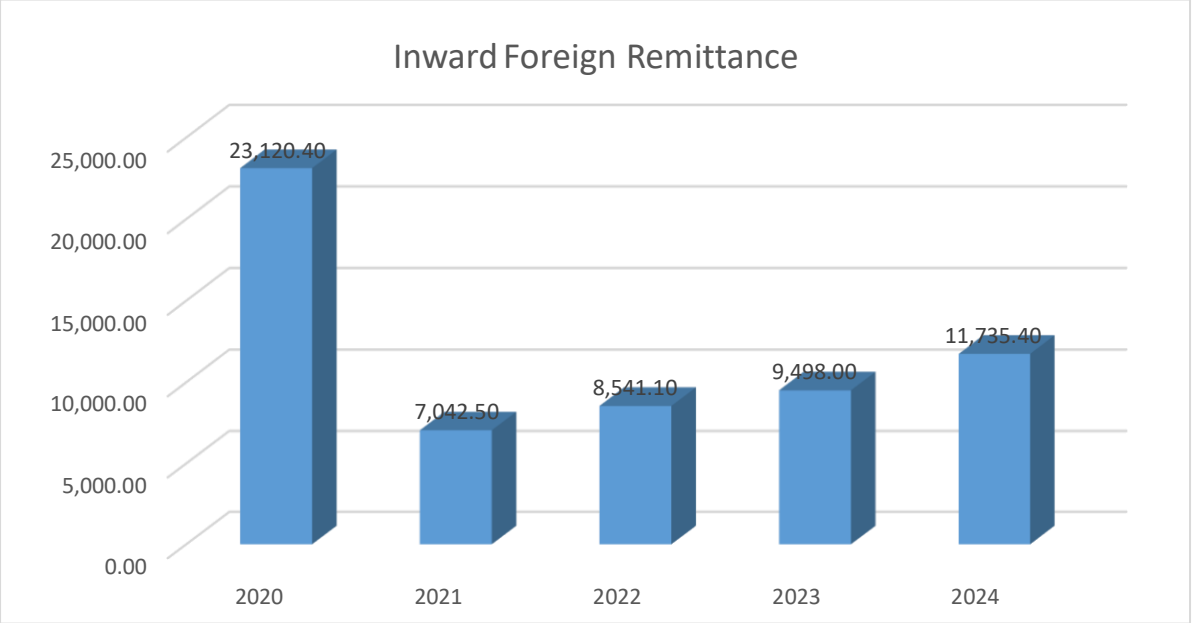
Remittance Sector:

Amount of Total Foreign Remittance Performance in AIBL:

Total remittance business of the AIBL bank stood at TK 11,735.40 million during the year 2022 as against TK 9,498.00 million in the previous year 2021.

(Amount in million TK BD)					
Particulars	**2020**	**2021**	**2022**	**2023**	**2024**
Inward Foreign Remittance	23,120.40	7,042.50	8541.10	9,498.00	11,735.40

Graphical Presentation:



Interpretation:

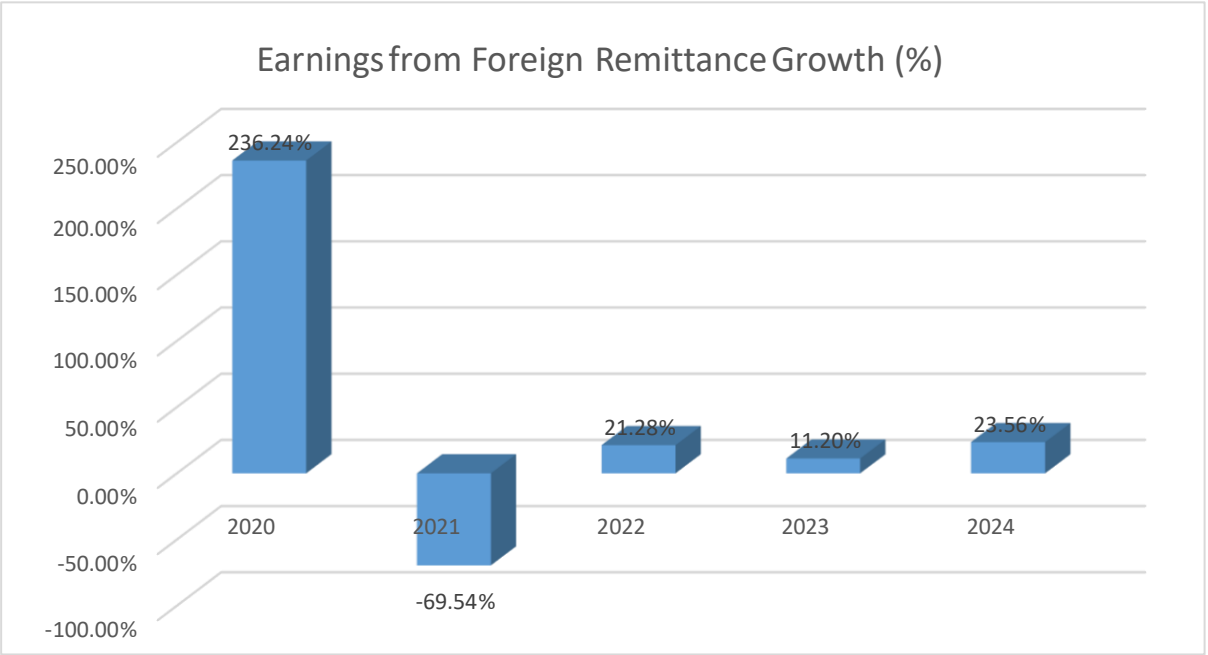
The graph shows that the amount of remittance business of AIBL increased from year 2019 to 2022. The bank earns highest amount TK 23,120.40 million in 2018.

Earnings from Foreign Remittance Performance in AIBL:

Our remittance business increase by TK 2,237.40 million; 23.56% in 2021.

(Amount in million TK BD)					
Particulars	**2020**	**2021**	**2022**	**2022**	**2024**
Growth (%)	236.24%	(69.54)	21.28%	11.20%	23.56%

Graphical Presentation:



Interpretation:

Here we can see that, graph shows the growth rate of remittance business inflows of AIBL increased from year 2024 than 2023. The bank earns highest growth rate 236.24% in 2020. It has negative growth rate in 2021 but in 2022 it falls down and nowadays it's growing.

(Amount in million TK BD)					
Particulars	**2020**	**2021**	**2022**	**2023**	**2024**
Import Business	71,931.70	85,951.00	101,244.70	107,049.80	118,786.60
Import Growth (%)	(5.49)%	19.44%	17.84%	5.73%	10.96%
Export Business	58,476.60	68,980.30	75,843.90	79,362.90	88,152.20

Export Growth (%)	12.02%	17.96%	9.95%	4.64%	11.07%
Inward Foreign Remittance	23,120.40	7,042.50	8541.10	9,498.00	11,735.40
Inward Foreign Remittance Growth (%)	236.24%	(69.54)%	21.28%	11.20%	23.56%

Major Findings

The L/C preparing operation of AIBL can be considered palatable based on a few variables. AIBL has actualized effective frameworks and strategies to guarantee smooth and opportune preparing of L/C exchanges, gaining a notoriety for unwavering quality and client fulfillment. They have contributed in progressed innovation and framework, counting strong computer program frameworks that computerize different stages of the method, diminishing mistakes and improving proficiency. A group of profoundly talented experts, who get standard preparing and remain upgraded with industry hones, handles L/C operations. AIBL keeps up solid connections with other banks and universal money related educate, encouraging smooth communication and fast determination of any issues. The bank too has strict inside controls and chance administration hones to distinguish and avoid false exercises, guaranteeing the security of L/C exchanges. In general, AIBL's venture in innovation, competent workforce, solid connections, and inner controls contribute to a streamlined and dependable L/C preparing operation, upgrading client fulfillment.

- Foreign exchange department of AD branch of Al-Arafah Islami Bank Ltd communicates with foreign banks frequently and quickly.
- In the area of export business, the bank is continuously improving.
- In 2024, this bank has done well in foreign exchange operation from the previous year.
- In 2024, Al-Arafah Islami Bank Ltd witnessed significant success in its foreign exchange operations compared to the previous year. Several factors contributed to this positive performance.
- Technological support and communication network of AIBL is satisfactory.
- Performance of remittance section of foreign exchange department is not that much satisfactory.
- In AIBL foreign exchange department allocation of responsibilities, authority and accountability is not clear.
- All the charges related to foreign trade of AIBL is comparatively lower.
- Lack of competitiveness in product and service innovation.
- SWIFT up gradation and commencement of Foreign Exchange Transactions in online system with AD Branches.
- Lack of software system in remittance section is found.
- Experienced employee needed for protecting foreign exchange market of AIBL.

Chapter-6
Recommendations and Conclusions

Recommendations

Based on the analysis of the foreign exchange activities of Al-Arafah Islami Bank Limited (AIBL), the following recommendations are proposed to strengthen and expand its operations:

- AIBL may use more emphasize on L/C opening procedure to attract more customer.
- AIBL can developing their IT department for providing more fluent services to the customer.
- Allocation of responsibilities, authority and accountability can be clear.
- Need Proper Promotional activity.
- Recommending to open New Branch.
- The bank has taken initiative to make remittance arrangements with some leading exchange houses at abroad.
- In addition with the present services they should include more services. It is badly needed to provide more services to the customer in order to compete in the market.
- The bank can Develop updated remittance software for more efficient and cost-effective operation.
- AIBL can introduce new product for expansion of Foreign Exchange Business.
- More experienced employees may persecute. So, they can give better service to clients.
- AIBL may open their activities of swift banking in rural area.

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Conclusions

The concept of an interest-free banking system has evolved from an abstract idea into a tangible reality, representing a dynamic framework that encompasses a superior banking mechanism. Al-Arafah Islami Bank Limited (AIBL) has been at the forefront of this transformation, forging alliances with conventional banks while introducing a novel concept to a rapidly expanding global financial sector. This venture marks a daring stride in the realm of finance.

As a prominent Islamic commercial bank, AIBL has taken multifaceted initiatives to foster job creation and promote socioeconomic development, with a specific focus on underprivileged segments, all in accordance with Islamic Shariah principles. Over the course of a three-month internship program at AIBL, comprehensive observations were conducted across various desks. While the program encompassed all departments and sections, time constraints necessitated selective departmental visits within each branch.

Throughout the internship, it became evident that the branch provided a comprehensive array of banking services, coupled with specialized financing activities that contribute to the economic landscape.

AIBL is a rising star in the banking arena, having completed 29 years of dedicated service. In the nascent phase of any institution, the path to survival is often marked by formidable challenges. Earning customers' trust and confidence necessitates improvements in marketing and operational domains. AIBL's path to success lies in offering efficient, dependable services, extending credit facilities, and embracing user-friendly modern technologies.

In the banking realm, success hinges significantly on effective lending practices and foreign exchange operations. Minimizing loan losses translates to higher income derived from investment activities. Successful foreign exchange endeavors not only boost the bank's profitability but also enhance the nation's standing in international trade.

While there are certain limitations within AIBL's foreign exchange department, the incorporation of modern banking technologies and unwavering employee commitment can lead to enhanced profitability. In conclusion, AIBL must proactively embrace modern banking systems and expand flexible foreign exchange facilities to bolster its competitive edge and attract customers, positioning itself as a formidable player in the banking sector.

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