# Thesis Report

# on

# An Analysis of the Foreign Exchange Activities of Bank in Bangladesh : A Case study on AL-Arafah Islami Bank Plc (AIBPLC)


**Submitted by:**

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ID: MBA2402032024

Major : HRM

Semester: Spring 2025

Sonargaon University(SU)


**Submitted to:**

Department of Business Administration

Sonargaon University(SU)

Submitted for the partial fulfillment of the degree of Master of Business Administration




**Sonargaon University (SU)**

**147/I, Green Road, Dhaka-1215, Bangladesh**

**Date of Submission: April 28, 2025**

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**Supervised by:**

**Md. Mostakin**

**Lecturer**

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# LETTER OF TRANSMITTAL

Date: April 28, 2025

Md Mostakin
Lecturer
Department of Business Administration
Sonargaon university(SU)

**Subject: Submission of thesis paper**

Dear sir,

With great gratification, I am research paper titled "**An Analysis of the Foreign Exchange Activities of Bank in Bangladesh:A case study on Al-Arafah islami bank plc"** as per partial accomplishment for the requirements for the MBA degree of the course code : BA5000 under the MBA HRM program,I have completed the master paper from the BANK of Banglades.It is an enormous prospect for me to gather vast information and appropriately grasp the subject matter. I found the research activity quite interesting, beneficial & and insightful, and I tried my best to prepare an effective & credible report.

I honestly, not only anticipate that my analysis will provide a clear idea about Foreign exchange activities of Al-arafah islami bank plc in Bangladesh but also optimistic enough to believe that you will find this papers wroth for all the labor I have put into it. I welcome your entire query & take pride in answering them

Sincerely Yours,

……

Abu Hanif Khan
ID: MBA2402032024
Program: MBA
Major in HRM
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## ***Student's Declaration***

This is to notify you that, the thesis paper on "**An Analysis of the Foreign Exchange Activities Bank in Bangladesh:A case study on Al-Arafah islami bank plc"** has been prepared as a part of my dissertation formalities. It is an obligatory part of my MBA programe to submit a thesis paper.

Moreover, my supervisor Md. Mostakin , Lecturer, Department of Business Adminstration, Sonargaon University (SU), inspired and instructed me.

I am further declaring that I did not submit this report anywhere for awarding any degree or certificate.

Sincerely Yours,

……

Abu Hanif Khan
ID: MBA2402032024
Program: MBA
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## ***Certificate of Supervisor***

This is to certify that the thesis report entitled "**An Analysis of the Foreign Exchange Activities of Bank in Bangladesh:A case study on Al-Arafah islami bank plc"** is prepared by Abu Hanif Khan, ID No: MBA2402032024, as a requirement of the MBA program under the Department of Business Administration at Sonargaon University (SU) Of Bangladesh. The report is recommended for submission.

---

**Md. Mostakin**
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 **Md Mostakin, Lecturer,** Department of Business Administration, Sonargaon University 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 AIBPLC. 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 AIBPLC. 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 AIBPLC's foreign exchange operations, with a specific focus on year 2020 to 2024. 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 AIBPLC'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 indepth case studies as primary sources. Secondary sources comprise AIBPLC'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 AIBPLC's foreign exchange activities. The Problem identification is thoroughly discussed in this study follow by the findings regarding Foreign Exchange Business of AIBPLC 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 AIBPLC. Finally, the conclusion provides the overall study at a glance followed by the survey questioner and the references.

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# Accnonyms

| | |
|---|---|
| L/C | Letter of Credit |
| LIM | Loan against Imported Merchandise |
| PAD | Payment against Documents |
| P.O | Pay Order |
| DD | Demand Draft |

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# ***Chapter-1 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.

Notably, the banking sector in our country is subject to rigorous regulations, making it an inherently controlled industry. Consequently, addressing these challenges and adapting to the changing dynamics of the global banking arena is of paramount importance to ensure continued economic growth and stability within Bangladesh.

Al-Arafah Islami Bank Plc 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 Plc was established as a private limited company on June 18, 1995, 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 Arafah Islami Bank Plc (AIBPLC). 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 MBA 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 Plc (AIBPLC) extended an internship opportunity to me.

AIBPLC boasts an extensive branch network across the country, enabling them to deliver comprehensive banking services to a diverse clientele, encompassing affluent individuals, corporate clients, and financial institutions. The paramount focus of this bank is customer satisfaction. Their primary objective revolves around meeting and exceeding customer expectations by introducing innovative financial products and services.

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

## ***Rationale of the Study***

The main aim of this research is to introduce students to the dynamic realities of the business world, providing them with hands-on insights into the Banking and Corporate sectors. This knowledge is invaluable for students as they prepare to navigate the ever-changing job market. It's widely recognized that practical experience carries more weight than theoretical learning, as it imparts lasting and useful skills.This study serves as a portal to gain a genuine understanding of the real business landscape, particularly in the field of banking. It offers an opportunity to develop practical expertise across various dimensions of this industry. As a result, this research holds tremendous importance for students, regardless of their field of study or specialization. It functions as an indispensable tool to bridge the gap between academic knowledge and the requirements of the professional world, equipping students to excel in their future careers.

## ***Scope of the Study***

This study aims to provide a comprehensive analysis of the foreign exchange activities of AlArafah Islami Bank Plc, with a specific focus on its Motijheel Branch. The scope encompasses various aspects of the bank's foreign exchange operations and performance over the years 2018 to 2022. The study also extends to identifying challenges and suggesting solutions for improving the efficiency and effectiveness of the bank's foreign exchange activities.

## ***Objectives of the Study***

The objectives of the study are following.

- To analyze foreign exchange activities of Al-Arafah Islami Bank Plc;
- To evaluate the foreign exchange performance of Al-Arafah Islami Bank Plc from 2020 to 2024;
- To identify problems related to the foreign exchange activities of Al-Arafah Islami Bank Plc;
- To make some recommendations to solve the problems;

## ***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 multifaceted approach ensures a comprehensive understanding of the foreign exchange activities of Al-Arafah Islami Bank Plc, 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 2020 to 2024 is used.

**AIBPLC (About). (1995). *AIBPLC.com.bd*. Retrieved from Alarafahislamibank : https://www.AIBPLC.com.bd/about-us/**

## ***The study implies both Convenient Sampling***

Convenience sampling is used because of easily accessible.

## ***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.

## ***The type of Questioner***

Structured Questionnaires have been used to collect information from the audience**.**

## ***Source of Data***

**Secondary Sources**

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

## ***Limitations of the study***

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

1. **Lack of *I*nformation:** Adequate and in-depth well-organized information is not available to access.
2. **Time Constraints:** The specified time is hardly enough to know all the activities of the branch.
3. **Confidentiality of Information:** Some of the information needed to explore the current market scenario of the bank may not be disclosed.

# Chapter-2 Profile Of Al Arafah Islami Bank *Plc*

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 plc 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 paidup capital of Tk. 9,469.58 million as of December 31, 2022. 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, 2022, 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 226 branches, including 27 AD branches spread across the nation.

## ***Goal of the bank***

The motto of the Al-Arafah Islami Bank Plc 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.

## ***Shariah Board***

The AIBPLC's Fatwa & Shariah Supervision Board, established in 1983, is comprised of esteemed scholars renowned for their extensive expertise in the fields of law, economics, and banking systems, particularly specializing in the domain of Islamic Shariah. The bank's Board of Directors appoints these scholars to oversee matters related to Shariah compliance. This dedicated board plays a pivotal role in the supervision and development of cutting-edge financial and investment products and services that adhere to Islamic principles.

Empowered by the authority to issue fatwas, the Shariah Board addresses inquiries and proposals from various business units within the bank. To ensure strict adherence to Islamic

banking principles, Shariah auditors meticulously scrutinize all transactions. This robust framework, combined with rigorous compliance, positions AIBPLC as a pioneering institution in practicing Islamic finance in its truest form. The AIBPLC name has become synonymous with innovation, financial prowess, leadership, and, most importantly, the assurance that all transactions are free from the involvement of interest (riba), as affirmed in 1995.

## ***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 2018, 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.

## ***Authorized Money Change***

In addition to the Authorized Dealers in foreign exchange, the Bangladesh Bank has authorized certain establishments like hotels and selected shops and other organizations visited by foreign tourists to change foreign money into local currency certain bank branches located in the port area or in and around the border outposts have also been authorized to buy foreign currency from tourists.

Bangladesh nationals Banks and establishments is whose favored such licenses are granted are known as “Authorized Money Changers”. They are authorized only to buy convertible.

foreign bank notes and other foreign currency instruments like Traveler’s checks, Drafts etc. They do not have permission to engage in any other foreign exchange transactions.

## ***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.

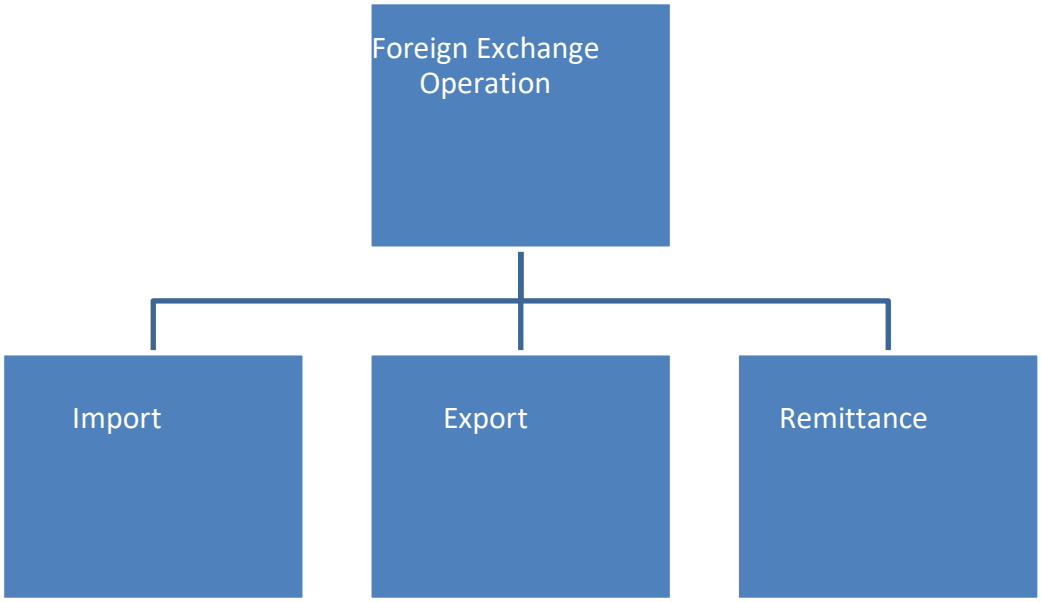
A Letter of Credit is defined as any arrangement, regardless of nomenclature, through which a bank, typically acting at the behest and according to the instructions of a customer (the "Applicant") or independently, commits to making payments, either to a third party (the beneficiary) or for accepting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

## ***Foreign exchange risk management by Al-Arafah Islami Bank Plc***

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 Plc is among the pioneering Bangladeshi banks that have acquired SWIFT (Society for Worldwide Inter-Bank F 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 AIBPLC has a separate password. (AIBPLC (SWIFT), 2003)

## ***Foreign Exchange Activities of Al-Arafah Islami Bank Plc***

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.

## ***Legalization***

Under the Import and Export Control Act of 1950, it is only permissible to indent, import, or export goods into Bangladesh with prior authorization from the Government of the People's Republic of Bangladesh, unless exempted. Breaking this rule results in fines, in accordance with the Sea Customs Act of 1878, as stipulated by section 3(3) of this Act.

Public Notices are issued time to time by the office of the Chief Controller of Import and Export (CCI & E). Through the process of import some vital but which are inadequate in our country products are imported to meet the local needs of the people.

## ***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 bi and pays the amount of the beneficiary. The advising bank and the negotiating bank may or may not be the same. Sometimes it can also be confirming bank.
- Reimbursing Bank or paying Bank: is the bank, which would reimburse the negotiating bank after getting payment - instructions from issuing bank.

- Exporter's Bank i.e., negotiating Bank: is the bank, which negotiates the bi and pays the amount of the beneficiary. The advising bank and the negotiating bank may or may not be the same. Sometimes it can also be confirming bank.
- Reimbursing Bank or paying Bank: is the bank, which would reimburse the negotiating bank after getting payment - instructions from issuing bank.

**AIBPLC (SWIFT). (2003). *AIBPLC.com.bd*. Retrieved from https://www.AIBPLC.com.bd/swift/**

## ***Major Documents***

There are 4 major documents of export-import except LC. They are as follows:

- Bill of Loading
- Commercial Invoice
- Packing List
- Certificate of Origin

## ***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 beneficiary and 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 Plc***

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 AIBPLC 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 Plc., 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 Plc.

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.

## ***Local Remittance / Inward Remittance***

Inward remittance pertains to the acquisition of foreign currency in various forms, including foreign T.T., D.D., bills, and T.C., dispatched from abroad to the benefit of a recipient in Bangladesh. The acquisition of foreign exchange must be duly reported to the Exchange Control Department of the Bangladesh Bank, utilizing Form-C for this purpose.

This broad category of "inward remittance" encompasses not only transfers such as M.T., T.T., drafts, but also encompasses the procurement of traveler's checks, drafts associated with traveler's letters of credit, bills of exchange, currency notes, coins, and debits to non-resident Taka accounts held by banks. The settlement procedure is executed in a manner in which foreign correspondent banks or affiliated branches transmit the funds to the domestic bank, accompanied by instructions for disbursing the funds to the designated recipient.

Within the framework of Al-Arafah Islami Bank Plc. (AIBPLC), primary instruments employed for local transactions include the Telegraphic Transfer (TT). This method involves the transfer of funds based on a written request from the concerned party and is contingent on the receipt of the corresponding value. To initiate a TT, applicants must complete the bank's specified form, duly signed and submitted. If the application indicates an instruction to debit the customer's account,

the signature is meticulously verified. However, obtaining a confirmation check from the customer is the preferred practice to ensure accuracy and security in the transaction process.

## ***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 signaturefree 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.

## ***Outward Remittance.***

The phrase "outward remittance" refers to the disposal of foreign exchange in any format. This encompasses not only transfers such as TTS, M.Ts, drafts, but also the sale of traveler's checks, traveler's letters of credit, foreign currency notes, coins, and more. Outward remittance can be executed through the sale of foreign exchange or by crediting non-resident Rupee accounts held by banks' overseas branches or correspondents. Authorized Dealers are permitted to sell foreign exchange for approved transactions exclusively, adhering to the prescribed procedures.

Modes of Outward Remittance:

- Demand Draft
- Telegraphic Transfer
- Payment Order (Local)

## ***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 Plc. (AIBPLC) extends online banking services to its clientele, offering features like interbranch balance transfers, account balance inquiries, and the provision of account statements, all accessible at the click of a mouse.

***Outward Remittance***Modes of Outward Remittance:

- Demand Draft
- Telegraphic Transfer
- Payment Order (Local).

## ***Benefits***

- Increases efficiency through automation
- Flexible - allows customers to draw up services individually
- Speeds up processing.
- User-optimized plausibility testing prevents transfer errors
- Hotline for specialized questions and technical pr

## ***Export charges***

A select range of goods, primarily comprising basic commodities and processed agricultural items, are liable to taxation. Presently, only specific items, namely goat, sheep, and bovine leathers, are subject to an export tax, set at a rate of 10%. Additionally, certain products may be subject to a predetermined minimum export price. This list encompasses goods such as basmati and non-basmati rice, cotton, as well as hard and soft cotton waste. Most minimum export prices are denominated in U.S. dollars on a free on board (fob) basis.

## ***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.

## ***An Invoice:***

When it comes to transporting goods, documents such as a bill of lading or transport record must be furnished, and they should contain information consistent with typical bills of lading. However, there's no compulsion to provide a bill of lading unless specifically requested. In cases where preferential customs treatment is sought in accordance with international agreements to which Iceland is a signatory, a certificate of origin should be included, unless the invoice includes a declaration of origin.

For customs treatment, other relevant documents related to the imported goods may be required, including items like import licenses when necessary, confirmations of authorization for special customs treatment when applicable, or other certificates mandated under specific circumstances. Furthermore, the details to be disclosed involve the individual articles' selling prices, the specified currency for pricing, terms of payment, payment conditions, delivery terms, and any discounts or deductions, along with the rationale for granting such discounts or deductions.

# Chapter-3 *Analaysis and Findings*

# Total Foreign Exchange Performance from 5 Years

| (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 |

## ***Amount of Total Foreign Import Performance in AIBPLC:***

Total import business of the AIBPLC 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.

**Goverment of the people republic of Bangladesh. (n.d.).** ***Laws of Bangladesh*****. Retrieved April 20th, 2023, from http://bdlaws.minlaw.gov.bd/act-details-218.html**

***Graphical Presentation:***

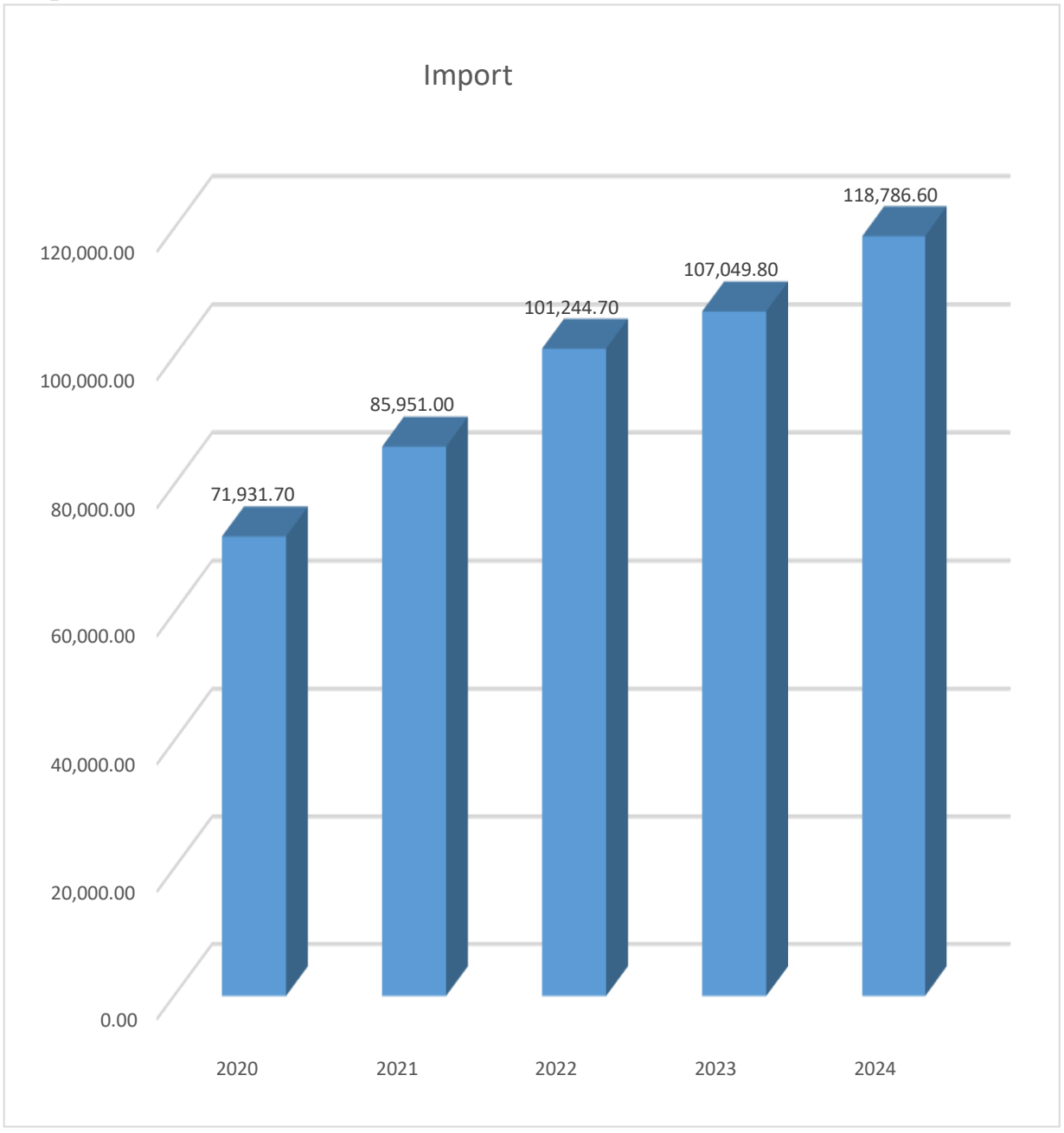



**Figure 01: Graphical Presentation**

## ***Interpretation:***

The graph shows that the amount of import business of AIBPLC increased from year 2020 to 2024. The bank earns highest amount TK 118,786.60 million in 2022.

## ***Earnings from Foreign Import Performance in AIBPLC:***

Our import business increase by TK 11,736.80 million; 10.96% growth in 2024 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:***

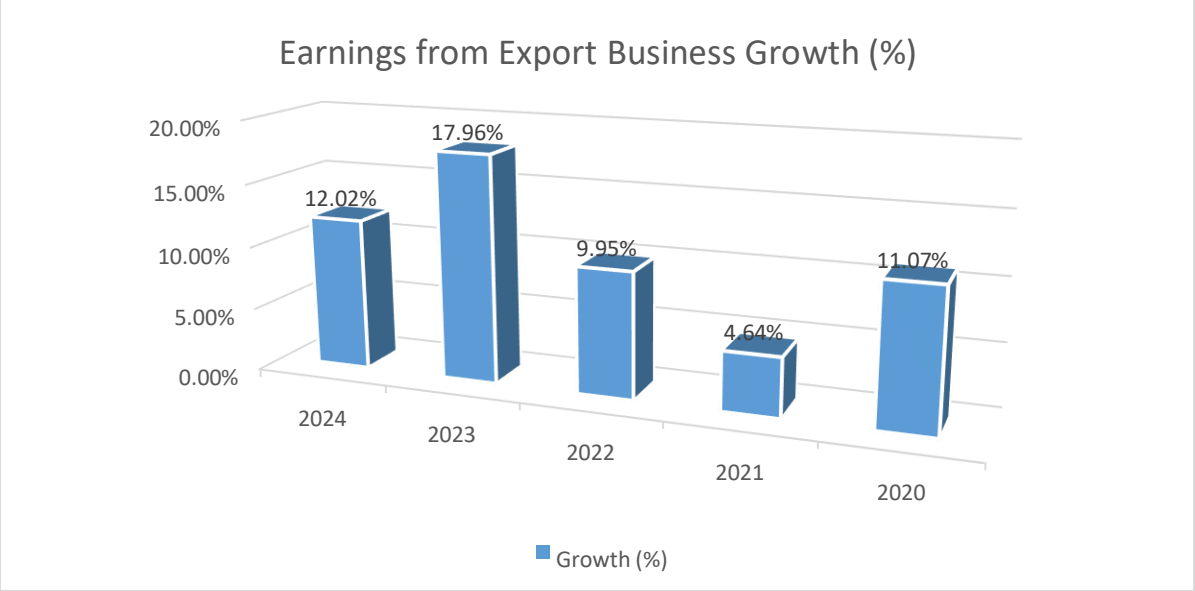



**Figure 02 : Earnings from Export Business Growth (%)**

## ***Interpretation:***

Here we can see that, graph shows the growth rate of export business of AIBPLC increased from year 2022 than 2021. The bank earns highest growth rate 17.96% in 2023. It has not any negative growth rate but in 2024 it falls down and nowadays it's growing.

## ***Remittance Sector***

### ***Amount of Total Foreign Remittance Performance in AIBPLC:***

Total remittance business of the AIBPLC bank stood at TK 11,735.40 million during the year 2024 as against TK 9,498.00 million in the previous year 2023.

(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:***

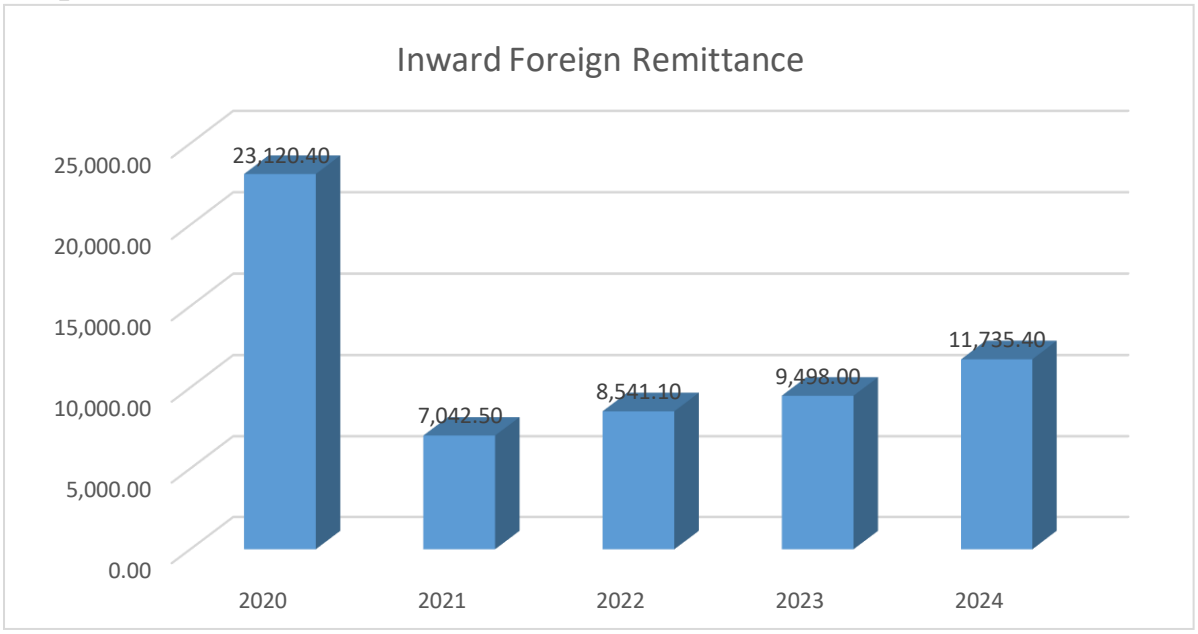



***Figure 03 : Inward Foreign Remittance***

## ***Interpretation:***

The graph shows that the amount of remittance business of AIBPLC increased from year 2021 to 2024. The bank earns highest amount TK 23,120.40 million in 2020.

**KAGAN, J. (2018). International Trade Administration.** ***What is letter of credit , 14*****(https://www.trade.gov/letter-credit), 25.**

## ***Earnings from Foreign Remittance Performance in AIBPLC:***

Our remittance business increase by TK 2,237.40 million; 23.56% in 2024.

| (Amount in million TK BD) | | | | | |
|---|---|---|---|---|---|
| **Particulars** | **2020** | **2021** | **2022** | **2023** | **2024** |
| Growth (%) | 236.24% | (69.54) | 21.28% | 11.20% | 23.56% |

## ***Graphical Presentation:***

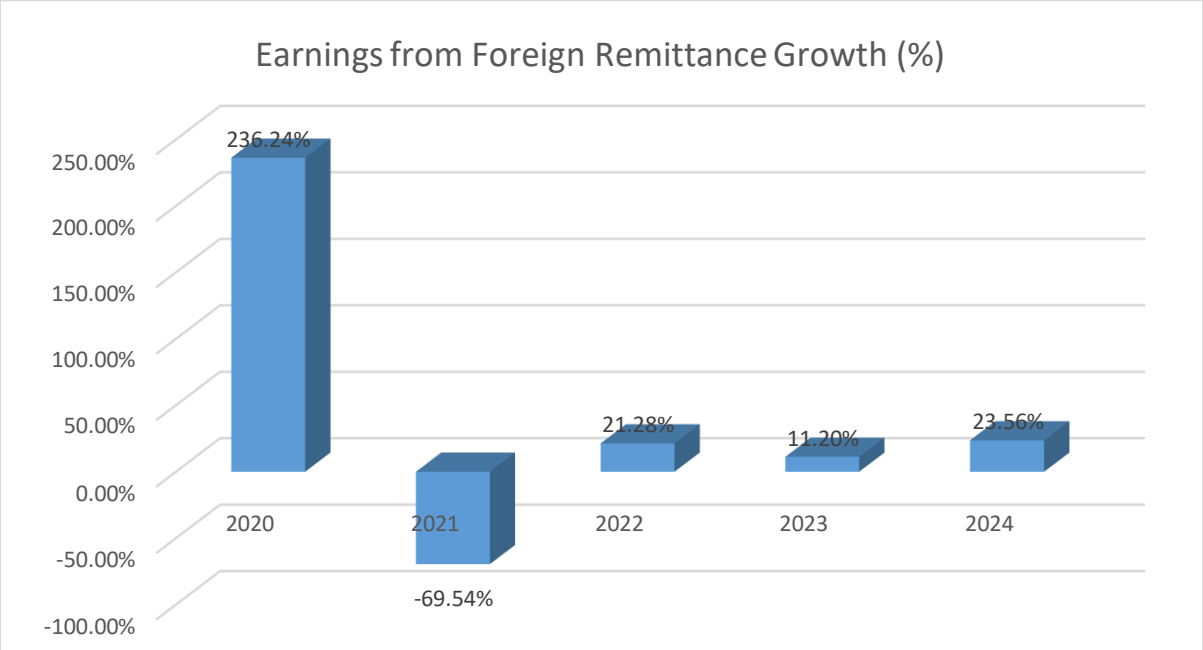



**Figure 04 : Earnings from Foreign Remittance Growth (%)**

## ***Interpretation:***

Here we can see that, graph shows the growth rate of remittance business inflows of AIBPLC 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 2024 it falls down and nowadays it's growing.

**HEAKAL, R. (2018). Adam Smith on Portuguese wine and English cloth.** ***The European Journal of the History of Economic Thought, 25*****.**

| (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% |

## ***Findings***

The L/C preparing operation of AIBPLC can be considered palatable based on a few variables. AIBPLC 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. AIBPLC 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, AIBPLC's venture in innovation, competent workforce, solid

connections, and inner controls contribute to a streamlined and dependable L/C preparing operation, upgrading client fulfillment.

1.Foreign exchange department of AD branch of Al-Arafah Islami Bank Plccommunicates with foreign banks frequently and quickly.

The Foreign Exchange Department of Al-Arafah Islami Bank Plc shows remarkable communication capabilities and habitually and quickly locks in with foreign banks. This capability stems from different key variables.

Firstly, the bank has established extensive correspondent banking relationships with reputable foreign financial institutions. These partnerships enable seamless communication channels and facilitate efficient transactions in the foreign exchange market. Al-Arafah Islami Bank Plc has dedicated substantial efforts to nurturing and maintaining these relationships, ensuring a robust network for swift and effective communication.

Secondly, the bank leverages advanced technological solutions and communication platforms. Utilizing secure electronic systems like SWIFT (Society for Worldwide Interbank Financial Telecommunication), the Foreign Exchange department can promptly transmit messages and instructions to foreign banks. This real-time communication capability minimizes delays and optimizes efficiency in cross-border transactions.

Besides, the bank brags a group of talented experts inside the Foreign Exchange office. Prepared with broad information on foreign trade operations, administrative compliance, and cross-border methods, they successfully communicate with outside banks, quickly resolving any potential issues that will emerge.

2.In the area of export business, the bank is continuously improving.

In the area of export business, Al-Arafah Islami Bank Plc has demonstrated a consistent commitment to improvement, striving to enhance its services and operations. Several key factors contribute to this continuous progress.

Firstly, the bank actively engages in regular market research and analysis to stay updated with changing export trends, regulations, and customer demands. This enables them to identify areas for improvement and develop innovative solutions to meet the evolving needs of exporters.

Secondly, Al-Arafah Islami Bank Plc has established strong relationships with export-oriented industries and trade organizations. This collaboration allows the bank to gain insights into industry-specific challenges and requirements, enabling them to tailor their services accordingly. By understanding the unique demands of exporters, the bank can offer customized financial products, efficient trade financing, and specialized advisory services.

Additionally, the bank invests in capacity building and training programs for its staff. This ensures that employees are equipped with the necessary knowledge and skills to provide excellent service to export clients. By continually enhancing their expertise, the bank can offer comprehensive support and guidance throughout the export process.

3.In 2024, this bank has done well in foreign exchange operation from the previousyear.

In 2024, Al-Arafah Islami Bank Plc witnessed significant success in its foreign exchange operations compared to the previous year. Several factors contributed to this positive performance.

Firstly, the bank's proactive approach in adapting to market changes played a crucial role. AlArafahIslami Bank Ltd closely monitored global economic trends, exchange rate fluctuations, and regulatory developments. This allowed them to make informed decisions and take advantage of favorable conditions in the foreign exchange market.

Secondly, the bank strengthened its relationships with correspondent banks and financial institutions worldwide. These partnerships facilitated efficient communication, swift execution of transactions, and access to a wider range of foreign exchange services. Al-Arafah Islami Bank Plc's network of reliable correspondents provided a competitive edge in delivering seamless foreign exchange solutions to its customers.

Moreover, the bank's focus on technological advancements enhanced the efficiency and convenience of its foreign exchange operations. The implementation of advanced software systems and electronic platforms enabled faster transaction processing, accurate documentation, and improved customer service

The technological support and communication network of is highly satisfactory. AIBPLC has made substantial investments in advanced hardware, software systems, and communication

infrastructure. They have deployed powerful servers, data centers, and cloud computing resources to handle the computational requirements of AIBPLC.

AIBPLC has also established robust communication networks, enabling real-time collaboration and seamless data transfer among their offices and research centers. With a strong focus on cybersecurity, AIBPLC ensures the integrity and confidentiality of data. Overall, AIBPLC's technological support and communication network provide a reliable and efficient foundation for their technological operations.

4. Performance of remittance section of foreign exchange department is not that muchsatisfactory.

The performance of the remittance section of the foreign exchange department is not considered highly satisfactory. Several factors contribute to this assessment. Firstly, there have been delays in processing remittance transactions, resulting in inconvenience for customers. Secondly, there have been instances of errors in documentation and data entry, leading to incorrect or incomplete transactions. Moreover, the response time for addressing customer queries and concerns has been below expectations. The overall efficiency and effectiveness of the remittance section have been compromised, impacting customer satisfaction. It is imperative for the department to address these issues, streamline processes, and improve communication to enhance the performance and meet the expectations of customers relying on remittance services.

5. In AIBPLC foreign exchange department allocation of responsibilities, authority andaccountability is not clear.

In the foreign exchange department of, there appears to be a lack of clarity regarding the allocation of responsibilities, authority, and accountability. This lack of clarity creates confusion and can hinder the efficiency of operations within the department. Without clear delineation of responsibilities, employees may face challenges in understanding their roles and duties, leading to overlaps or gaps in tasks.

Similarly, the absence of a well-defined chain of authority can impede decision-making processes and create bottlenecks in the workflow. Additionally, the lack of clear accountability can result in a lack of ownership and responsibility for outcomes and can make it difficult to address issues or evaluate performance effectively. To improve the department's effectiveness, it is crucial for AIBPLC to establish clear lines of responsibility, delegate authority appropriately, and ensure accountability at all levels.

6. All the charges related to foreign trade of AIBPLC is comparatively lower.

AIBPLC stands out in terms of charging lower fees for all aspects related to foreign trade. This distinct feature provides a competitive advantage in the market. AIBPLC's commitment to keeping charges at a reasonable level benefits its clients by reducing their financial burden. Whether it is fees associated with import/export documentation, letter of credit issuance, or foreign currency exchange, AIBPLC ensures that the charges remain comparatively lower than those of other financial institutions. This customer-centric approach enhances the attractiveness of AIBPLC's foreign trade services and contributes to fostering long-term relationships with clients. By offering costeffective solutions, AIBPLC demonstrates its commitment to supporting international trade and facilitating seamless financial transactions for businesses and individuals engaged in foreign trade activities.

7. Lack of competitiveness in product and service innovation.

The lack of competitiveness in product and service innovation is a significant challenge for any organization. In the context of AIBPLC, this means that the company is struggling to keep up with the rapidly evolving market demands and technological advancements. AIBPLC's competitors may be introducing new and innovative products or services that outshine what AIBPLC currently offers. This can result in a loss of market share and reduced customer satisfaction. Without a focus on continuous innovation, AIBPLC may fall behind in terms of providing cutting-edge solutions and fail to meet the evolving needs of its customers. To address this issue, AIBPLC should prioritize investment in research and development, foster a culture of innovation, and actively seek ways to differentiate itself through unique and forward-thinking products and services.

8. SWIFT up gradation and commencement of Foreign Exchange Transactions in onlinesystem with AD Branches.

A significant development in AIBPLC's foreign exchange operations is the SWIFT upgradation and commencement of foreign exchange transactions in an online system with AD branches. The SWIFT (Society for Worldwide Interbank Financial Telecommunication) upgradation enhances the efficiency and reliability of communication and transaction processing between AIBPLC and other financial institutions globally. This ensures secure and swift transmission of payment instructions, trade documents, and confirmations. Additionally, the introduction of an online system for foreign exchange transactions with AD branches allows for real-time and

seamless processing, reducing manual intervention and streamlining the overall process. This modernization not only improves operational efficiency but also enhances customer experience by enabling faster and more convenient foreign exchange services.

10. Lack of software system in remittance section is found.

A notable issue in the remittance section of AIBPLC is the lack of a software system. This absence of a dedicated software system can lead to inefficiencies and operational challenges. Without a proper software solution, remittance transactions may rely heavily on manual processes, increasing the likelihood of errors, delays, and inconsistencies. Additionally, the absence of a software system makes it difficult to track and monitor transactions, maintain accurate records, and generate comprehensive reports. This lack of automation can impede the department's ability to provide timely and accurate remittance services to customers. To address this issue, it is crucial for AIBPLC to invest in and implement a robust software system tailored to the specific needs of the remittance section, enabling streamlined processes, enhanced accuracy, and improved overall performance.

11. Experienced employee needed for protecting foreign exchange market of AIBPLC.

The protection of the foreign exchange market of AIBPLC requires the presence of experienced employees. With the foreign exchange market being a complex and volatile domain, having skilled professionals who possess a deep understanding of market dynamics is crucial. Experienced employees can effectively monitor market trends, analyze currency fluctuations, and identify potential risks and opportunities. Their expertise enables them to implement appropriate risk management strategies and make informed decisions to safeguard AIBPLC's foreign exchange operations. Moreover, experienced employees can provide valuable insights and guidance to the organization, ensuring compliance with regulatory requirements and industry best practices. By employing seasoned professionals, AIBPLC can enhance its ability to navigate the foreign exchange market with prudence and protect the organization's interests effectively.

***Shariah Board*. (1983, March 13). Retrieved from AIBPLC.com.bd: https://www.AIBPLC.com.bd/about-us/shariah-board/**

# Chapter 4Problems Identified

1. Lack of Compliance and Regulations: AIBPLC might struggle with adhering to the complex regulations and guidelines set by the Bangladesh Bank (the central bank of Bangladesh) and other relevant regulatory bodies, leading to potential compliance issues.
2. Money Laundering and Fraud: Inadequate anti-money laundering (AML) and know-yourcustomer (KYC) processes can make private banks susceptible to money laundering and fraudulent activities, tarnishing their reputation and causing financial losses.
3. Exchange Rate Risk Management: Fluctuations in exchange rates can expose private banks to significant financial risk, especially if they are not effectively managing their foreign exchange exposure through hedging strategies
4. Liquidity Challenges: Engaging in foreign exchange transactions can tie up significant amounts of capital, potentially affecting a bank's liquidity position if not managed properly
5. Inadequate Technology Infrastructure: Outdated technology systems might hinder private banks' ability to efficiently process foreign exchange transactions, leading to errors, delays, and customer dissatisfaction.
6. Insufficient Expertise: Lack of skilled personnel with expertise in foreign exchange markets and risk management can lead to poor decision-making and potential losses.
7. Counterparty Risk: Dealing with foreign counterparties in different jurisdictions exposes private banks to counterparty risk, especially if proper due diligence on the reliability and creditworthiness of these counterparts is not conducted.
8. Customer Education and Awareness: Clients may lack awareness of the intricacies of foreign exchange transactions, leading to misunderstandings, unrealistic expectations, and potential disputes.
9. Political and Economic Stability: Geo-political events, changes in government policies, and economic instability in foreign countries can impact foreign exchange rates and cause unpredictability in private banks' foreign exchange activities.
10. Documentation and Record-Keeping: Inaccurate or incomplete documentation of foreign exchange transactions can lead to legal and regulatory issues, as well as difficulties in tracking and reporting transactions.

11. Operational Risk: Errors in processing foreign exchange transactions can result in financial losses, operational disruptions, and reputational damage.
12. Hidden Fees and Charges: Private banks might levy hidden fees and charges on foreign exchange transactions, leading to customer dissatisfaction and potential regulatory scrutiny.
13. Limited Market Access: AIBPLC may face challenges in accessing global foreign exchange markets, affecting their ability to offer competitive rates and services to clients.
14. Cross-Border Compliance: AIBPLC engaging in cross-border foreign exchange transactions must navigate complex international compliance requirements, including sanctions and trade restrictions.
15. Customer Data Protection: Handling sensitive customer information in foreign exchange transactions requires robust data protection measures to prevent breaches and unauthorized access.

## ***Recommendations***

1. AIBPLC may use more emphasize on L/C opening procedure to attract more customer.

To attract more customers, AIBPLC may consider placing greater emphasis on the letter of credit (L/C) opening procedure. The L/C opening process is a critical aspect of international trade finance, and by streamlining and enhancing this procedure, AIBPLC can position itself as a preferred choice for customers engaging in global trade. AIBPLC can invest in developing user-friendly online platforms or software systems that simplify and expedite the L/C opening process. Additionally, providing prompt and efficient customer service, clear documentation guidelines, and competitive pricing can further enhance AIBPLC's appeal to potential clients. By focusing on improving the L/C opening procedure, AIBPLC can showcase its commitment to facilitating seamless and reliable international transactions, thereby attracting more customers seeking efficient trade finance solutions.

2. AIBPLC can developing their IT department for providing more fluent services to the customer.

To enhance the customer experience, AIBPLC is likely focusing on developing their IT department. By investing in the IT infrastructure and resources, AIBPLC aims to provide more seamless and efficient services to customers. This development may involve upgrading hardware, software, and networking systems, as well as employing skilled IT professionals. The IT department can work towards improving digital platforms, developing user-friendly interfaces, and implementing advanced technologies to enable faster and more secure transactions. By prioritizing IT development, AIBPLC seeks to leverage technology to enhance the overall customer journey, streamline processes, and deliver more convenient and reliable financial services, aligning with the digital transformation trend in the banking industry.

3. Allocation of responsibilities, authority and accountability can be clear.

Clear allocation of responsibilities, authority, and accountability is essential for effective organizational functioning. AIBPLC recognizes the importance of clarity in these areas and is actively working towards achieving it. By clearly defining and communicating individual roles and responsibilities, employees will have a clear understanding of their tasks, eliminating confusion and overlaps. Moreover, establishing a well-defined chain of authority ensures efficient decision-making processes and timely execution of tasks. Additionally, clear

accountability ensures that individuals take ownership of their actions and outcomes, fostering a culture of responsibility and performance. By striving for clarity in the allocation of responsibilities, authority, and accountability, AIBPLC aims to improve operational efficiency, enhance teamwork, and drive overall organizational success.

4. Need Proper Promotional activity.

Proper promotional activity is crucial for the success of any business or endeavor. It involves strategic planning and implementation of various marketing techniques to effectively reach and engage with the target audience. Promotional activities help create awareness, generate interest, and ultimately drive sales or desired outcomes. These activities may include advertising campaigns, social media marketing, public relations efforts, influencer collaborations, and more. By investing time, effort, and resources into well-executed promotional activities, businesses can differentiate themselves from competitors, build brand loyalty, and attract new customers. It is important to understand the target audience, tailor messages and content accordingly, and track the effectiveness of promotional efforts to optimize results.

5. Recommending to open New Branch.

Geographically the bank should open up new branches, and in order to increase its foreign exchange businesses, it should include AD facility to more branches.

6. The bank has taken initiative to make remittance arrangements with some leading exchange houses at abroad.

The bank has proactively taken the initiative to establish remittance arrangements with prominent exchange houses abroad. This move aims to facilitate seamless and efficient money transfers for customers across borders. By partnering with established exchange houses, the bank ensures that individuals can conveniently send and receive funds internationally. These arrangements provide customers with a secure and reliable channel to conduct remittances, reducing the complexities and costs associated with cross-border transactions. The bank's efforts demonstrate a commitment to meeting the evolving needs of its customers and fostering global connectivity. With these remittance arrangements in place, individuals can enjoy greater convenience, speed, and peace of mind when transferring money to their loved ones or conducting international business transactions.

7. 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.

To remain competitive in the market, it is imperative for the organization to expand its range of services beyond the existing offerings. By doing so, the company can cater to a wider customer base and meet the evolving demands of the market. Introducing additional services provides an opportunity to enhance customer satisfaction and attract new clients. The organization should conduct market research to identify gaps or areas of improvement, and accordingly introduce new services that align with customer needs. These additional services could include innovative digital banking solutions, personalized financial advisory services, specialized loan products, or enhanced customer support channels. By continually expanding their service portfolio, the organization can stay ahead of competitors and establish itself as a comprehensive and customer centric financial institution.

8. The bank can Develop updated remittance software for more efficient and cost-effective operation.

In order to enhance efficiency and cost-effectiveness in remittance operations, the bank can develop updated remittance software. This software would streamline the entire process, from initiation to completion, by automating various tasks and reducing manual intervention. The updated software could feature advanced algorithms for real-time currency conversions, ensuring accurate and up-to-date exchange rates. It can also include secure authentication mechanisms, robust encryption, and fraud detection measures to safeguard customer transactions. Additionally, the software can offer features like transaction tracking, instant notifications, and personalized dashboards, empowering customers with greater visibility and control over their remittance activities. By investing in the development of such software, the bank can optimize its remittance operations, provide a seamless user experience, and ultimately improve customer satisfaction while minimizing operational costs.

9. AIBPLC can introduce new product for expansion of Foreign Exchange Business.

To expand its foreign exchange business, AIBPLC can introduce a new product specifically tailored for this purpose. This product could be a comprehensive foreign exchange trading platform that allows customers to easily and securely engage in currency trading. The platform could offer realtime market data, customizable trading interfaces, and advanced analytics tools to assist customers in making informed trading decisions. AIBPLC can also provide educational resources, training programs, and expert guidance to support customers in navigating the complexities of foreign exchange trading. By introducing this new product, AIBPLC can attract

individuals and businesses interested in capitalizing on the foreign exchange market, ultimately driving growth in its foreign exchange business and positioning itself as a leading provider in the industry.

10. More experienced employees may persecute. So, they can give better service to clients.

Having a team of more experienced employees can greatly benefit a company's ability to provide better service to clients. Experienced employees bring a wealth of knowledge, expertise, and refined skills to their roles. They have likely encountered a variety of situations and have learned how to handle them effectively. With their extensive industry experience, these employees are well-equipped to anticipate and address client needs, providing timely and tailored solutions. Moreover, their deep understanding of the company's products or services enables them to offer valuable insights and recommendations to clients. Additionally, experienced employees can act as mentors and trainers for newer team members, fostering a culture of continuous learning and professional development. By harnessing the capabilities of more experienced employees, a company can enhance its client service capabilities, build stronger client relationships, and ultimately achieve higher customer satisfaction levels.

11. AIBPLC may open their activities of swift banking in rural area.

AIBPLC can consider expanding its swift banking activities to rural areas. This strategic move can have several benefits. By opening swift banking services in rural areas, AIBPLC can extend financial access to underserved communities and promote financial inclusion. It would provide rural residents with convenient and secure banking services, such as fund transfers, account inquiries, and bill payments, without the need to travel to urban centers. This expansion can stimulate economic growth in rural areas by enabling businesses and individuals to participate more actively in financial transactions. Additionally, it can help AIBPLC tap into new customer segments, fostering customer loyalty and creating opportunities for cross-selling other banking products. By bringing swift banking to rural areas, AIBPLC can contribute to bridging the urban-rural financial divide and supporting the overall development of rural communities.

# 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. AlArafahIslami Bank Limited (AIBPLC) 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, AIBPLC 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 AIBPLC, 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. AIBPLC is a rising star in the banking arena, having completed 30 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. AIBPLC'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 AIBPLC's foreign exchange department, the incorporation of modern banking technologies and unwavering employee commitment can lead to enhanced profitability. In conclusion, AIBPLC 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.

## ***Survey Questionnaires for the Foreign Exchange Activities of AL-ArafahIslamiBank limited***

**Name of the Responder:**

Are you an Employee of the Bank / Customer of Al-Arafah Islami Bank Plc?

**Gender:** Male / Female

**Age:** 1-(30-35) 2 -(35-40) 3-(40 & above)

**The question rating is given billow.**

a. Strongly agree = 5
b. Agree = 4
c. Natural= 3
d. Disagree= 2
e. Strongly Disagree= 1

1-How satisfied are you with the overall process of obtaining a Letter of Credit from our bank?

a.Strongly agree
b. Agree
c. Natural
d. Disagree
e. Strongly Disagree

2-Did our staff provide clear and accurate information regarding the requirements and fees associated with the Letter of Credit?

a. Strongly agree
b. Agree
c. Natural
d. Disagree
e. Strongly Disagree

3- During the application process of LC opening how you are addressed by or Bank?

a.Strongly agree
b. Agree
c. Natural

d. Disagree
e. Strongly Disagree

4-How satisfied are you with the level of communication and responsiveness of our staff throughout the process?

a. Strongly agree
b. Agree
c. Natural
d. Disagree
e. Strongly Disagree

5-Would you recommend our bank to other businesses seeking to obtain a Letter of Credit?

a.Strongly agree
b. Agree
c. Natural
d. Disagree
e. Strongly Disagree

6-Do you think recent Doller crisis had any impact over the overall LC opening process?

a.Strongly agree
b. Agree
c. Natural
d. Disagree
e. Strongly Disagree

7-Do you think recent Doller crisis had any impact over the overall LC opening process of AIBPLC(Al-Arafah Islami Bank Plc)?

a. Strongly agree
b. Agree
c. Natural
d. Disagree
e. Strongly Disagree

8-Do you think centralized LC opening process of AIBPLC(Al-Arafah Islami Bank Plc) gives an competitive edge over the compotator?

a. Strongly agree
b. Agree
c. Natural
d. Disagree
e. Strongly Disagree

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