

# Performance of Foreign Exchange Operation of Private Commercial Banks: A Case on Southeast Bank Limited

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## Abstract

The banking sector is participating in many events on a daily basis. Conversely, the process of banking is become faster, simpler, and more universal all at the same time. They're constantly coming up with various ideas and products to meet customer demand. Banks and other financial services organizations all search for service improvement opportunities in order to gain a competitive advantage in the financial sector. As a result, every person has a banking procedure they should know about. In accordance with their goal, Southeast Bank Limited believes in building together towards tomorrow. To accomplish the goal of getting more customers, the bank demonstrates excellence in all stages while also fostering continual development. With this fast changing competitive climate, banks' strategic plans and networking will help them keep pace with the competition. The overall objective of this research had represented the foreign exchange performance of import, export and foreign remittance of Southeast Bank Limited. This paper examined about import, export and remittance performances have been analyzed and find out some problems relating to foreign exchange activities. Finally this research finished with some possible recommendation and concluding remark of the study.

**Keywords:** Foreign Exchange, Bank, Export, Import.

## 1. Introduction

When it comes to producing particular goods, every country has its natural advantages and disadvantages. And in other areas, they have natural disadvantages. To understand this finding, think about the economic policies of two different countries. The policies of one country require that that country import specific goods whereas the policies of another country require that the country export its surpluses. Trade is based on these transactions.

There are three major definitions of the word "Foreign Exchange." In addition, it is also a word that is used to refer to currencies of other countries, such as referring to the currencies of only one of them. Trade instruments such as Bills of Exchange, drafts, travelers Cheque, and other types of foreign remittance are usually referred to as bearer instruments. A third definition of foreign exchange, in addition to the previous two, is that it is also known as the balance in foreign currencies owned by a country. Section 2(d) of the Foreign Exchange Regulations-1947 in Bangladesh describes foreign exchange as foreign currency, including any

instrument drawn, accepted, made or issued under clause 13 of article 16 of the Bangladesh Bank Order, 1972, and all deposits, credits and balances payable in any foreign currency.

Foreign exchange regulations, Section 3, gives the Bangladesh Bank the authority to provide licenses to scheduled banks that permit them to deal with foreign exchange. Authorized Dealers are called upon to process all customers' financial transactions (AD).

In addition to being provided by the Bangladesh Bank, licenses are also issued to individuals or businesses for the purpose of exchanging foreign currency instruments, such as T.C. (bills and coins), Currency notes, and Coins. Authorized Money Changers are frequently called as Wacky Money Changers.

Foreign exchange is the method used to convert one country's money into another's. The purpose of foreign exchange is to help move assets in one country's currency to another country's currency.

## **2. Hypothesis Development**

I have developed two hypotheses to test dependent variables because the number of an independent variable is one.

- H<sub>1</sub>: There is exist significant relationship between export and foreign exchange operation.
- H<sub>2</sub>: There is exist significant relationship between import and foreign exchange operation.

## **3. Research Objectives**

The main objectives of the research are as follows-

- To analysis of the Import, Export and Remittance performances of Southeast Bank Limited.
- To find out some problem related to foreign exchange operation of Southeast Bank Limited.
- To provide some suggestion to solve the problem based on findings

## **4. Research Methodology**

This study has been completed on the basis of all of the research that was conducted during the course of the study. By using various charts and tables, I have shared my research and findings. Which analytical data elements are included in the analysis?

The work plan specifics are listed below:

### **4.1 Data Collection Method**

This research has gathered relevant data by going directly to multiple sources of data.

The operating procedure is documented, and various employees are involved.

There have been no systematic questionnaires employed.

The bank has gathered information on office operations through discussing and talking with bank employees.

### **4.2 Data Sources Method**

A diverse range of research sources are utilized in the completion of this project. The following information is included below:

#### **4.2.1 Primary Sources:**

- Face-to-face talks with bank employees
- Face-to-face discussions with clients

#### **4.2.2 Secondary Sources:**

- Annual report of Southeast Bank Limited.

- Different papers of Southeast Bank Limited.
- Files and documents of the branch
- Unpublished data
- Different text books.

## 5. Data Analysis and Discussion

### 5.1 Import performance of Southeast Bank Limited.

Import performance of Southeast Bank Limited from the year 2015 to 2011 is given in the following table:

Figure in million BDT

Particulars	2015	2014	2013	2012	2011
<b>Import</b>	151,812.58	155,691.00	131,644.82	111,537.50	99,509.01

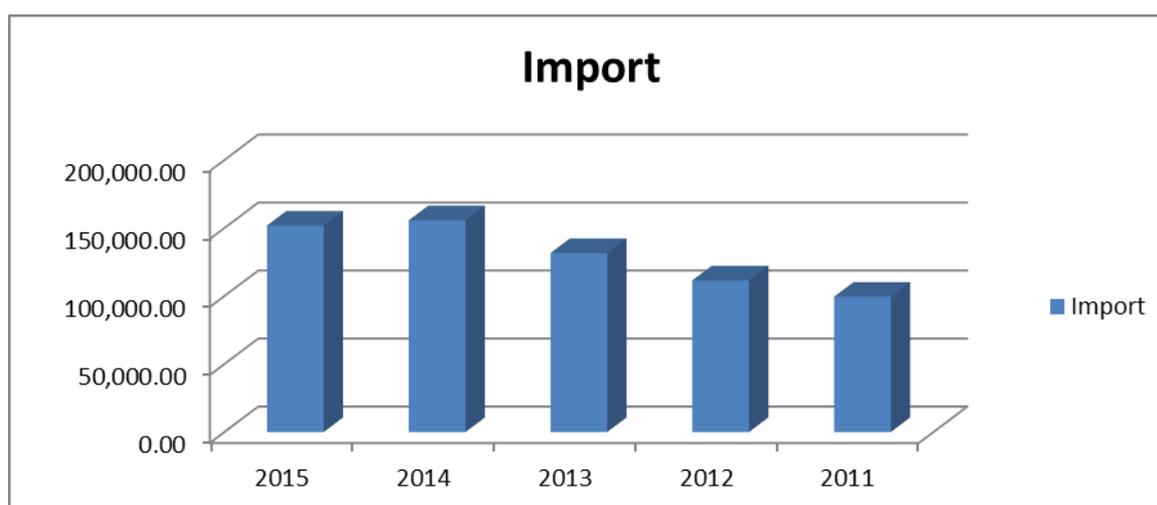


Figure: Import of Southeast Bank Limited

In this graph we have noticed that the import level of the southeast bank ltd. Increasing severally over 2011, 2012 and 2013, & 2014. But in 2015 the import level is slightly decreasing. In 2014 total import was 155,691.00 million but in 2015 are 151,812.58 million total falls the amount is 3,878.42 million. Other all import performance is good.

### 5.2 Export performance of Southeast Bank Limited

Export performance of Southeast Bank Limited from the year 2015 to 2011 is given in the following table:

Figure in million BDT

Particulars	2015	2014	2013	2012	2011
<b>Export</b>	126,323.89	112,137.60	95,220.40	84,464.20	75,982.06

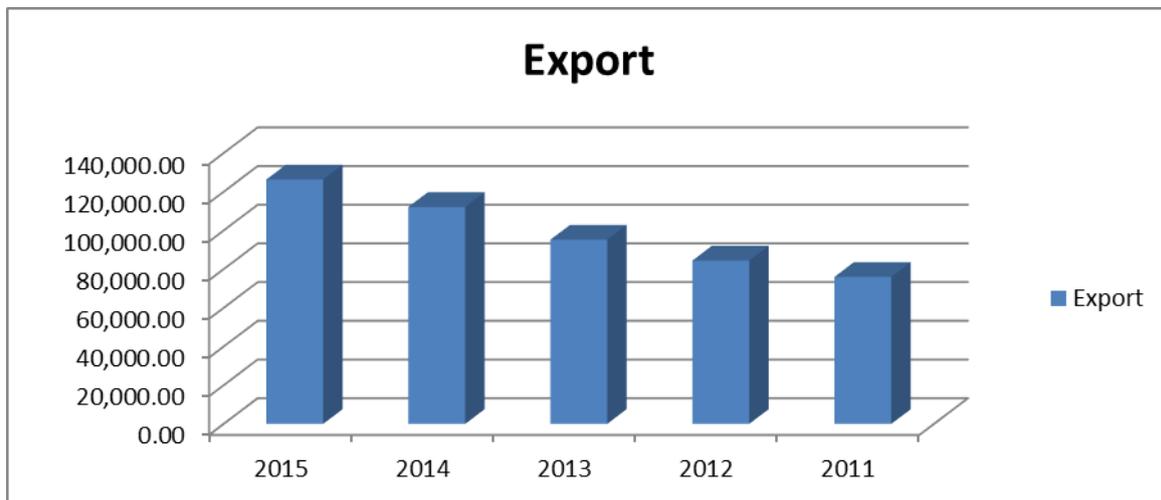


Figure: Export of Southeast Bank Limited

This diagram shows that the positive reaction over the 5 years. The export level is increasing day by day. In 2015 the export level is catch the optimum level of the curve. In the year 2014 total export was 112,137.60 million and 2015 is 126,323.89 million total increases are 14,186.29 million. Overall export performance is very well and their export operation increasing day by day.

### 5.3 Foreign remittance performance of Southeast Bank Limited.

Foreign Remittance performance of Southeast Bank Limited from the year 2015 to 2011 is given in the following table:

Figure in million BDT

	2015	2014	2013	2012	2011
<b>Foreign Remittance</b>	60,708.50	48,740.50	39,299.10	41,455.40	49,544.10

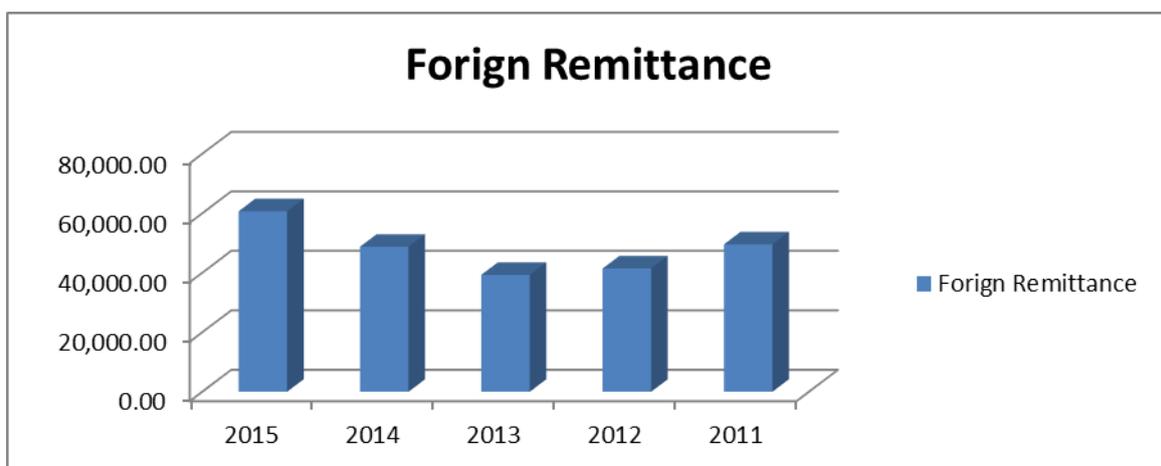


Figure: Foreign Remittance of Southeast Bank Limited

Remittance sector in 2011 was very much positive. But in 2012 the foreign remittance was decreasing and 2013 was very much decreasing but in 2014 the remittance rate was increased than 2012 and less than 2011. In 2015 the remittance rate hit the top point of the level over then 2011. If in 2011 then gradually increase of foreign remittance then 2015 was more than existing amount. In 2013 was most recession year in last five year.

5.4 Import Vs Export performance of Southeast Bank Limited

Import Vs Export performance of Southeast Bank Limited from the year 2015 to 2011 is given in the following table:

Figure in million BDT

	2015	2014	2013	2012	2011
<b>Import</b>	151,812.58	155,691.00	131,644.82	111,537.50	99,509.01
<b>Export</b>	126,323.89	112,137.60	95,220.40	84,464.20	75,982.06

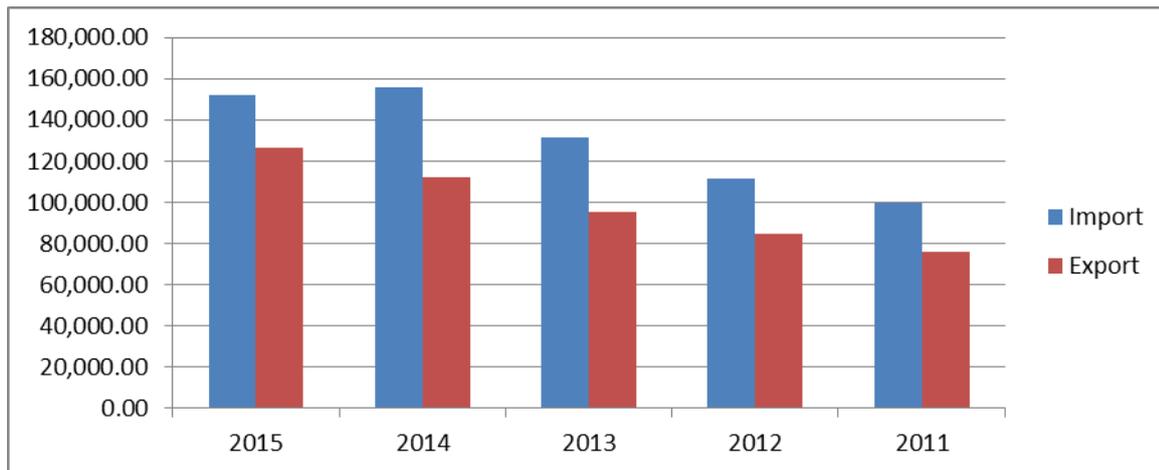


Figure: Import vs. Export of Southeast Bank Limited

In this graph we have noticed that import is more than export in last five years. Every years import is gradually increase but in 2015 is decrease than 2014. Export is gradually increased in every year. We saw that in 2011 import is more than export amount is 23,526.95 million. In 2012 and 2013 gradually increase import more than export but in 2014 import is more than export last three year amount is 43,553.04 million. But in 2015 import verses export is decrease than 2014, the amount between import and export is 25,488.69 million.

6. Model Summary

After computing an average value separately for all the variables I have done regression analysis to get the final result.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.865a	.749	.497	5963.959

a. Predictors: (Constant), IMPORT, Export

Here R-square =0.749 means that our three variables have 74.9% influence on the Foreign exchange operation. The rest of 25.1% influenced by other Variables I have not considered for this research.

For testing hypothesis we are considering 5% error. It means that if our p -value is greater than 0.05 our null hypothesis will be rejected and if less than 0.05 our null hypothesis will be accept and when less than 0.05, then our alternative hypothesis will be accepted. Otherwise hypothesis will be rejected.

ANOVAa

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	211825653.841	2	105912826.920	2.978	.251b
Residual	71137612.287	2	35568806.144		
Total	282963266.128	4			

a. Dependent Variable: Remittance

b. Predictors: (Constant), IMPORT, Export

Coefficientsa

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error			
1 (Constant)	32140.634	16104.320		1.996	.184
Export	.941	.445	2.290	2.116	.169
IMPORT	-.594	.371	-1.733	-1.601	.250

a. Dependent Variable: Remittance

H<sub>1</sub>: There is exist significant relationship between export and foreign exchange operation.

Here p-value= 0.169, so this hypothesis is accepted.

H<sub>2</sub>: There is exist significant relationship between import and foreign exchange operation.

Here p-value= 0.250, so this hypothesis is accepted.

## 7. Findings and Recommendation

During my research period in the Southeast bank ltd., I have research for one month. During this period I have found that:

- Import target level is not achieved in 2015. In fact it is the actual import is lower than 2014.
- Foreign remittance performance is fluctuating over the years. So it is an alarming issue.
- Export performance is good as it achieve the target level.
- The Bank undertaken strong policy guideline to regulate and monitor to minimize foreign exchange risk due to exposure in currency movement.
- The foreign exchange department has lack of staff.
- We can see the performance of Advising of L/C is very good. We know more advising of L/C in importer are busy to import Business rather than the export Business.

I had observed some shortcomings regarding foreign exchange operation and other aspects of their banking. On the basis of my observation I would like to present the following recommendations.

- Whereas the foreign exchange operation is gradually increasing and our business environment is almost

foreign trade, it is essential to maintain a good and sophisticated technology and policy in maintaining the operations.

- The import performance is poor in 2015, it should be controlled with right process and provide credit facility for the importer.
- For improving foreign remittance to connect much international money send company.
- Letter of credit opening procedure and margin requirement may be relaxed for prime customers, otherwise new and competitive banks will take the clients away by giving special facilities.
- The bank should take initiative to develop an effective's research and development center to promote innovative product or service ideas & to sense threat & competitiveness in advance to reduce risks.
- The bank can diversify its import portfolio by increasing customers to reduce dependency from some customers.
- They always try to keep the motivated skilled employee in the organization.

## **8. Conclusion**

With regards to the new worldwide economic system, from the very start, banking operations have become a very crucial matter. With all of the recent development in the field of banking, private commercial banks are now merely waiting for new customers.

There are many various approaches to think about how to establish an idea. The function that commercial banks play in the growth of our economy and financial system is critical in Bangladesh. A strong position is maintained in the competitive market today by Southeast Bank Limited. It is continuously aiming for excellence in banking by offering a wide range of innovative products and services to the many client groups, including individuals, corporations, and small and medium-sized businesses. The Southeast Bank Limited, as well as generating a better percentage of profit, also contributes to the total amount earned by Southeast Bank Limited. More thorough analysis offers a larger chance of bringing better results in the future.

Southeast Bank Limited's ability to serve customers is being expanded across the country by establishing new branches at new locations. There has been an increase in the dependability of the customer base in Southeast Bank Limited through time, making it easier for the company to provide more benefits. However, they may offer additional online and ATM services, having a greater range of capabilities, to make their services more efficient and easier for customers. They might do the recommended things every day in order to improve over time. A critical role in the socio-economic outlook and in the growth of our economy may be played by Southeast Bank Limited.

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