



Performance of foreign exchange operation of private commercial banks: a case on southeast bank limited

Anwarul Islam KM¹

Assistant Professor and Program Coordinator, Department of Business Administration, The Millennium University, Dhaka, Bangladesh; E-mail: anwarul.tmu@gmail.com

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General Note



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ABSTRACT

Banking sector is expanding its hand in different events every day. At the same time the banking process is becoming faster, easier, and the banking area becoming wider. As the demand for better service increases day by day, they are coming with different innovative ideas and products. In order to survive in the competitive field of the banking sector, all banking organization are looking for better service opportunity to provide their fellow clients. As a result, it has become essential for every person to have some idea on the bank and banking procedure. Southeast Bank Limited believes in the vision of together, towards, tomorrow. To achieve the desire goal the bank is showing the excellence at all stages with a climate of continuous improvement. Banks strategic plans and networking will strengthen its competitive performance over others in this rapidly changing competitive environment. 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

Every country has certain natural advantages and disadvantages in producing certain commodities while they have some natural disadvantages as well in other areas. As a result we find that some countries need to import certain commodities while others need to export their surpluses. These transactions are the basis upon which international trade is made.

The term 'Foreign Exchange' has three principal meanings. Firstly, it is a term used referring to the currencies of other countries in terms of any single one currency. Secondly, the term also commonly refer to some instruments used in international trade, such as Bills of Exchange, drafts, travelers Cheque and other means of international remittance. Thirdly, the term foreign exchange is also quite often referred to the balance in foreign currencies held by a country. In terms of section 2(d) of the Foreign Exchange Regulations-1947, as adopted in Bangladesh foreign exchange means foreign currency and includes any instrument drawn, accepted, made or issued under clause 13 of article 16 of the Bangladesh Bank Order, 1972, all deposits, credits and balances payable in any foreign currency and draft, travelers Cheque, loiter of credit and bill of exchange expressed or drawn in Bangladesh currency but payable in any foreign country.

In exercise of the powers conferred by sec. 3 of the Foreign Exchange Regulations-1947, Bangladesh Bank issues license to scheduled banks to deal with foreign exchange. These banks are known as Authorized Dealers (AD). Licenses are also issued by Bangladesh Bank to persons or firms to exchange foreign currency instruments such as T.C., Currency notes and coins. They are known as Authorized Money Changers.

Foreign Exchange refers to the process or mechanism by which the currency of one country is converted into the currency of another country. Foreign exchange is the means and methods by which rights to wealth in a country's currency are converted into rights to wealth in 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.

- H₁: There is exist significant relationship between export and foreign exchange operation.
- H₂: There is exist significant relationship between import and foreign exchange operation.

3. RESEARCH OBJETIVES

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 research has been prepared on the basis of experience gathered during the period of research. For preparing this research, I have also get information from annual report and website of the Southeast Bank Limited I have presented my experience and finding by using different charts and tables. Which are presented in the analysis part?

The details of the work plan are furnished below:

Data collection method

Relevant data for this research has been collected primarily by direct investigation of different records, papers. Documents operational process and different personnel. No structured questionnaire has been used. Information regarding office activities of the bank has been collected through consulting and discussion with bank personnel.

Data sources method

Both primary and secondary sources of data are used to complete this research. These two sources are explained below:

Primary sources:

- Face to face conversation with the bank officers and staffs
- Conversation with the clients
- Different manuals of Southeast Bank Limited.
- Different circulars of Southeast Bank Limited.

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
Import	151,812.58	155,691.00	131,644.82	111,537.50	99,509.01

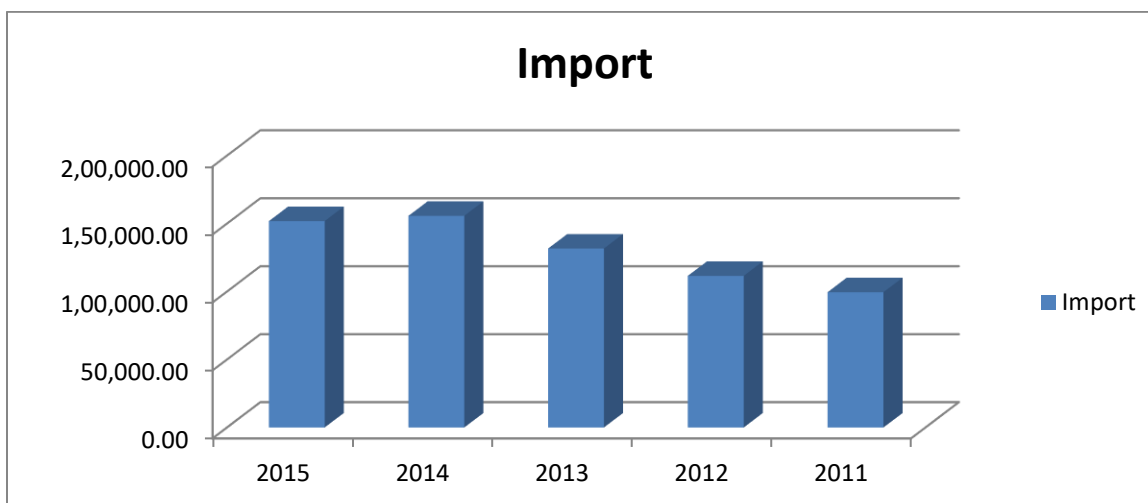


Figure: Import of Southeast Bank Limited

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
Export	126,323.89	112,137.60	95,220.40	84,464.20	75,982.06

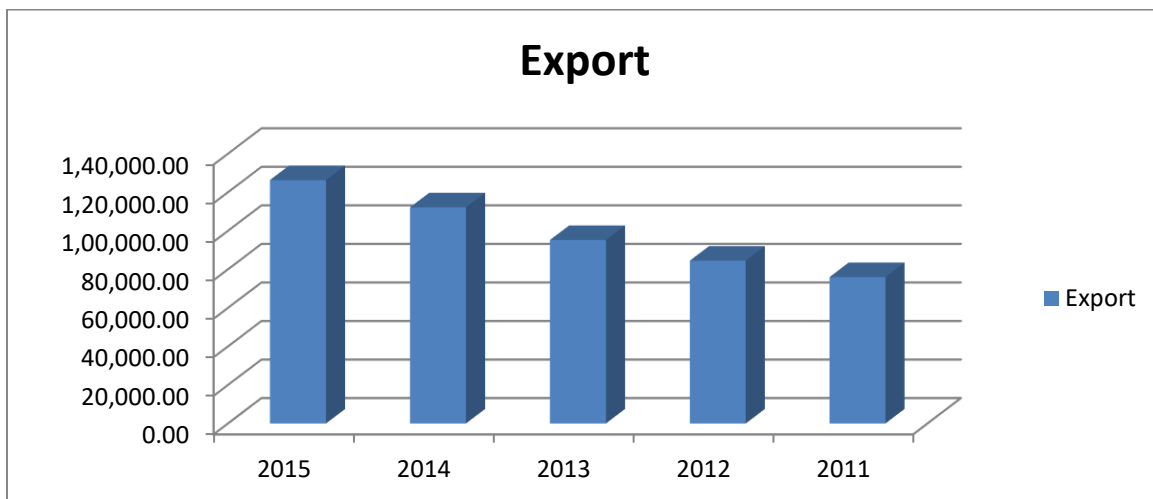


Figure: Export of Southeast Bank Limited

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
Foreign Remittance	60,708.50	48,740.50	39,299.10	41,455.40	49,544.10

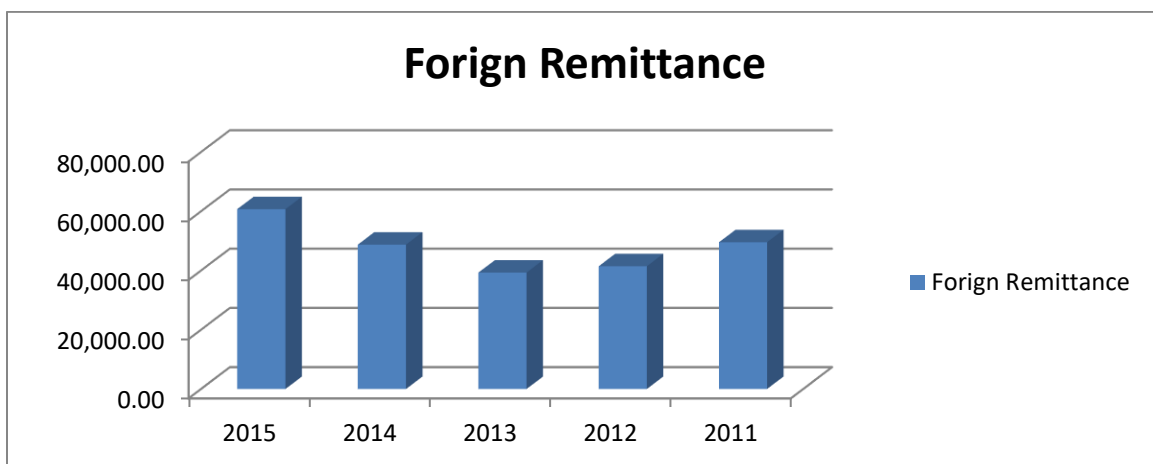


Figure: Foreign Remittance of Southeast Bank Limited

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
Import	151,812.58	155,691.00	131,644.82	111,537.50	99,509.01
Export	126,323.89	112,137.60	95,220.40	84,464.20	75,982.06

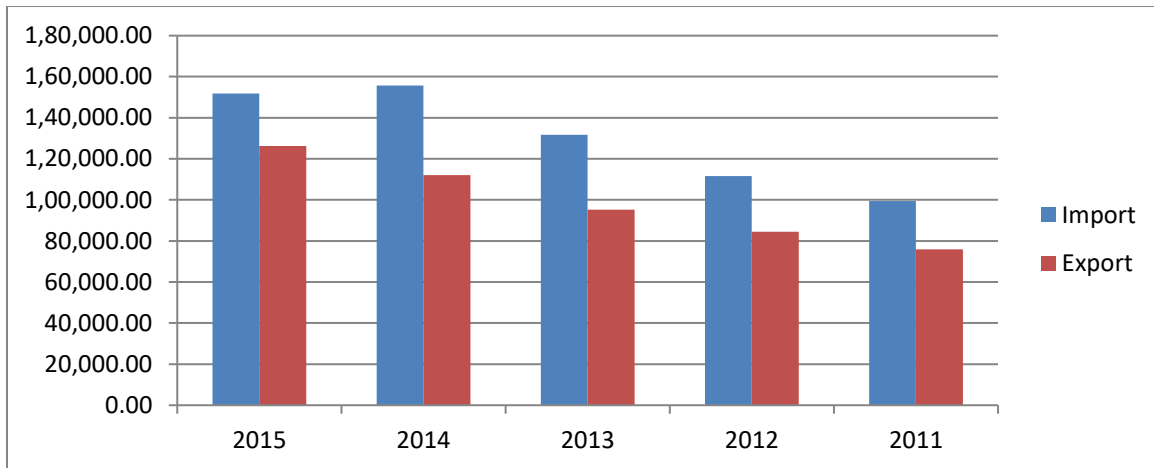


Figure: Import vs. Export of Southeast Bank Limited

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	.865 ^a	.749	.497	5963.959

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.

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

a. Dependent Variable: Remittance

b. Predictors: (Constant), IMPORT, Export

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
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

H1: There is exist significant relationship between export and foreign exchange operation.

Here $p\text{-value} = 0.169$, so this hypothesis is accepted.

H2: There is exist significant relationship between import and foreign exchange operation.

Here $p\text{-value} = 0.250$, 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

From the beginning of greater change in the world economic structure, banking activities has becoming an important thing. Now a days the idea of banking is also developed and a huge number of private commercial banks are just on waiting for business. So it is a matter of think that how to establish an idea with different techniques, In Bangladesh, Commercial banks are playing vital role in the development of our economy and financial system. Southeast Bank Limited has a strong position in the today's competitive market. Since the commencement of Southeast Bank Limited, it is continuously striving for excellence in banking by offering innovative products and services to the clients ranging from Consumer Banking, Corporate banking, SME Banking, Islamic Banking

services to foreign trade financing. The Southeast Bank Limited, also contributing a better proportion of profit in Southeast Bank Limited is total earning. Total analysis of the bank has the greater opportunity to do better in the future.

Day by day Southeast Bank Limited is area of service is increased all over the country through setting up new branches at new places. The reliability of the customer in Southeast Bank Limited is increasing day by day for its better services. But they may introduce online and ATM services with more facilities comparing with other commercial bank to improve their services and to make efficient and easy customer services. They also may follow the given recommendations in order to improve day by day. Southeast Bank Limited may contribute a vital role in the socio-economic prospective and in the development of our economy.

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