

00103
60A

EAST WEST UNIVERSITY

INTERNSHIP REPORT ON:

**LETTER OF CREDIT (LC) PROCEDURES
&
MOTIVES OF LC CUSTOMERS**

S U B M I T T E D T O

Md. Farhan Faruqui

Senior Lecturer

Department of Business Administration

S U B M I T T E D B Y

Md. Arif Rahman

ID # 2005-1-10-002

Department of Business Administration

Deadline: April 20, 2009

LETTER OF TRANSMITTAL

April 20, 2009

Md. Farhan Faruque
Senior Lecturer
Department of Business Administration
East West University

Dear Sir,

In accordance to your advice to prepare an internship report, I have selected Shahjalal Islami Bank Limited.

To serve the purpose, I have followed standard research methodology to extract my findings. I have applied sophisticated data analysis techniques to get consistent and sound output. As per the direction from you, I have tried my best to highlight my findings through applied concepts and models.

I sincerely hope this report will fulfill the requirements suggested by you under the course BUS (499). I will appreciate if you kindly spend some of your valuable time by calling on us for discussion in connection to the interpretation of this report.

Sincerely yours,

MD. Arif Rahman
ID No: - 2005-1-10-002

ACKNOWLEDGEMENT

At first, I should be thankful to my instructor Md. Farhan Faruque who gave me the idea to make a report. While making this report, I got to know many new terms-related with my report.

I should give my highest gratitude to Shahjalal Islami Bank to provide me the chance to do my internship program. The employees of Dhanmodi branch, where I have done my program are very friendly, helpful and coordinating. Without them it was totally impossible for me to complete the period successfully. I am grateful to all of them especially Shahnaz Parvin (JAVP) and Forrukh Mahmud (MTO). They are very nice persons and as well as good professionals. My admiration is always with them. My memories about that bank will always remain fresh in my mind.

I am grateful to my administration as they provide us with the facility to use computer lab for browsing net. May be, it would have been impossible to finish the report in time if I didn't get facility to use net for my own purpose.

TABLE OF CONTENT

SI	Subject	PAGE
1	Banking Sector in Bangladesh	3-6
2	Banking Sector Review	6
3	Islami Banking Concept	7
4	Background of SJIBL	8-11
5	Foreign Exchange Department	12-13
6	Letter of credit	13-21
7	Research findings	22-29
8	Recommendation	30
9	Conclusion	31
10	Bibliography	32

EXECUTIVE SUMMARY

Shahjalal Islami Bank Limited is based on Islamic Shariah. SJIBL is named after the name of a saint Hajrat Shahjalal (R) who dedicated his life for the cause of peace in this world and hereafter and served the humanity. It started its Banking operation on May 10, 2001 with the 1st branch (main branch) opened at 58, dilkusha C/A, Dhaka obtaining the license of Bangladesh Bank, for enlistment of economic condition of its customers as well as to contribute sustainable economic growth and development in trade and industry of the country.

The objective of Shahjalal Islami Bank Limited is not only to earn profit but also to keep the social commitment and to ensure its co-operation to the person of all level, to the businessmen, industrialist specially who are engaged in establishing large scale industry by consortium and the agro-based export oriented medium and small scale industries by self inspiration.

To achieve the objectives Shahjalal Islami Bank provides different types of services. They provide general banking like account opening, FDR, DPS and some other service. They offer loans for make home, purchase car, apartments or some other personal purpose. Foreign exchange is another main service of Shahjalal Islami Bank. The main duty of this department is to provide services to them who are maintaining business internationally. One of the main services of foreign exchange is letter of credit. It is the security to get payment. Shahjalal Islami Bank is doing this job very efficiently.

On this report I worked on the procedures of LC and the motives of the customers to open LC. I also found out how many times and which destinations the customers are opening LC. The main purpose to do this type of research is to create a customer profile which will help them for better decision making and better forecasting.

I have found that the maximum customers are doing their business in RMG sector. They need Letter of Credit very frequently. They choose bank to open letter of credit by quick serviceability. So Shahjalal Islami Bank should focus on that issue. Their marketing department should maintain a good relationship with that sector. They should offer more loan facility and other incentives to them for attracting them. Some of them are not satisfy about the employee efficiency. The HRD should provide them more training.

In this way I think the bank will grow much faster than now. My best wishes are always with Shahjalal Islami Bank Limited.

BACKGROUND OF THE STUDY

Any academic course of the study has a great value when it has practical application in the real life. Only a lot of theoretical knowledge will be little important unless it is applicable in the practical life. So we need proper important unless it is applicable in the practical life. So we need proper application of our knowledge to get some benefit from our theoretical knowledge to make it more fruitful. When we engage ourselves in such field to make proper use of our knowledge in our practical life only when we come to know about the benefit of the theoretical knowledge. My theses report is on a study of the Foreign Exchange activities of Shahjalal Islami Bank Ltd. Dhanmondi Branch.

Objective of the Study: There are two types of objective

The main objectives of the study are:

- To find out the reality in the practical life.
- To fulfill the requirement for the completion of BBA program.

The Secondary objectives of this report are:

- To develop the practical knowledge by the practical orientation of work.
- To build up the pillar of the career for near future.
- To know about Shahjalal Islami Bank Limited (SJIBL) operational activities which is based on Islami Shariah.
- To know the Foreign Exchange procedures of Shahjalal Islami Bank Ltd.
- To identify the customer service of SJIBL.

SCOPE OF THE STUDY

Shahjalal Islami Bank Limited (SJIBL) is now well growing and it's containing thirty three branches in Dhaka, Sylhet, and Chittagong. The scope of the study will be limited to the organizational setup, function and operation of the SJIBL in the Bangladesh. This report mainly encompasses the performance of Shahjalal Islami Bank Limited in comparison the foreign trade. For the purpose of my internship

program, I am working in the Satmasjid Road Branch at SJIBL and this provides me the way to get myself familiarized with banking environment. I have an opportunity to gather experience by working in different departments of the Branch.

Methodology of the Study

The study is based on both primary and secondary sources of information. The primary source comprises mainly interviews from customers. We interviewed 20 customers. The interviewees were selected randomly.

The secondary sources constituted mainly of the newsletters about Shahjalal Islami Bank Limited. To find out the necessary information I also took help of the web sites. Our instructor also helps us for this purpose.

To analyze the data we use some mathematical terms. The findings are presented is graphical from.

Limitations of the Study

During the study, I have faced the following limitations:

- It is very difficult to collect all the required information in such a short period.
- Due to some legal obligation and business secrecy banks are reluctant to provide data. For this reason, the study limits only on the available published data and certain degree of formal and informal interview.
- The bankers are very busy with their jobs, which lead a little time to consult with.
- Category wise export, import and guarantee business, amount and percentage of classified loan originated from the international trade is missing in the report for their restriction.

BANKING SECTOR IN BANGLADESH

Introduction

The Jews in Jerusalem introduced a kind of banking in the form of money lending before the birth of Christ. The word 'bank' was probably derived from the word 'bench' as during ancient time Jews used to do money -lending business sitting on long benches. First modern banking was introduced in 1668 in Stockholm as 'Svingss Pis Bank' which opened up a new era of banking activities throughout the European Mainland. In the South Asian region, early banking system was introduced by the Afgan traders popularly known as Kabuliwallas. Muslim businessmen from Kabul, Afganistan came to India and started money lending business in exchange of interest sometime in 1312 A.D. They were known as 'Kabuliawallas'.

Number and Types of Banks

The number of banks in all now stands at 49 in Bangladesh. Out of the 49 banks, four are Nationalised Commercial Banks (NCBs), 28 local private commercial banks, 12 foreign banks and the rest five are Development Financial Institutions (DFIs).

Sonali Bank is the largest among the NCBs while Pubali is leading in the private ones. Among the 12 foreign banks, Standard Chartered has become the largest in the country. Besides the scheduled banks, Samabai (Cooperative) Bank, Ansar-VDP Bank, Karmasansthan (Employment) Bank and Grameen bank are functioning in the financial sector. The number of total branches of all scheduled banks is 6,038 as of June 2000. Of the branches, 39.95 per cent (2,412) are located in the urban areas and 60.05 per cent (3,626) in the rural areas. Of the branches NCBs hold 3,616, private commercial banks 1,214, foreign banks 31 and specialised banks 1,177.

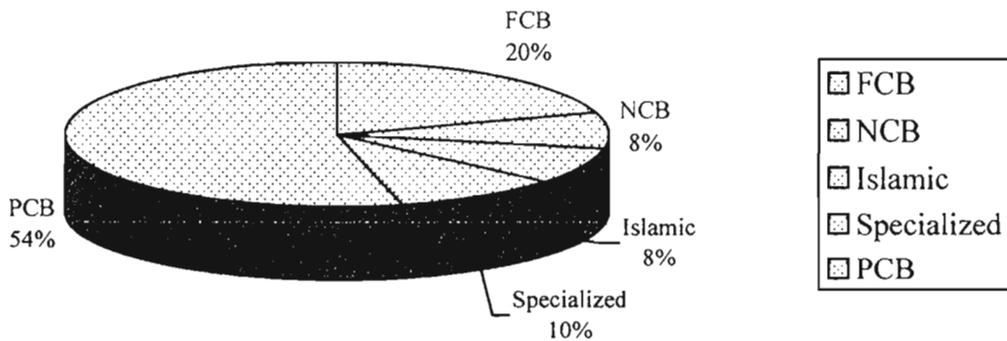
Bangladesh Bank (BB) regulates and supervises the activities of all banks. The BB is now carrying out a reform programme to ensure quality services by the banks.

Bangladesh Bank

Bangladesh Bank (BB) has been working as the central bank since the country's independence. Its prime jobs include issuing of currency, maintaining foreign exchange reserve and providing transaction facilities of all public monetary matters. BB is also responsible for planning the government's monetary policy and implementing it thereby.

The BB has a governing body comprising of nine members with the Governor as its chief. Apart from the head office in Dhaka, it has nine more branches, of which two in Dhaka and one each in Chittagong, Rajshahi, Khulna, Bogra, Sylhet, Rangpur and Barisal.

SCHEDULED BANK IN BANGLADESH



SERVICES

Accounts, Current, FDR, PDS, Deposit Scheme

Current Account: Generally this sort of account opens for business purpose. Customers can withdraw money once or more against their deposit. No interest can be paid to the customers in this account. If the amount of deposit is below taka 1,000 on an average the bank has authority to cut taka 50 from each account as incidental charge after every six months. Against this account loan facility can be ensured. Usually one can open this account with taka 500. One can open this sort of account through cash or check/bill. All the banks follow almost the same rules for opening current account.

Savings Bank Account

Usually customers open this sort of account at a low interest for only security. This is also an initiative to create people's savings tendency. Generally, this account is to be opened at taka 100. Interest is to be paid in June and December after every six months. If money is withdrawn twice a week or more than taka 10,000 is withdrawn (if 25% more compared to total deposit) then interest is not paid. This account guarantees loan. Almost all the banks follow the same rules in the field of savings account, except foreign banks for varying deposit. On an average, all the banks give around six percent interest.

Special Services

Some Banks render special services to the customers attracting other banks.

Internet Banking

Customers need an Internet access service. As an Internet Banking customer, he will be given a specific user ID and a confident password. The customer can then view his account balances online. It is the industry-standard method used to protect communications over the Internet.

Automated Teller Machine (ATM)

Automated Teller Machine (ATM), a new concept in modern banking, has already been introduced to facilitate subscribers 24 hour cash access through a plastic card. The network of ATM installations will be adequately extended to enable customers to non-branch banking beyond banking.

Tele Banking

Tele Banking allows customers to get access into their respective banking information 24 hours a day. Subscribers can update themselves by making a phone call. They can transfer any amount of deposit to other accounts irrespective of location either from home or office.

SWIFT

SWIFT is a bank owned non-profit co-operative based in Belgium servicing the financial community worldwide. It ensures secure messaging having a global reach

of 6,495 Banks and Financial Institutions in 178 countries, 24 hours a day. SWIFT global network carries an average 4 million message daily and estimated average value of payment messages is USD 2 trillion.

BANKING SECTOR REVIEW

Bank Credit

The outstanding level of bank credit (excluding foreign bills and inter-bank items) increased by Tk.5,123.30 crores or 10.3% to Tk.54,646.10 crores in 1999-2000 as compared to the increase of 12.4% in the preceding year. Of the components of bank credit, advances increased by Tk.4,892.70 crores or 10.3% and the bills purchased and discounted went up by Tk.230.60 crores or 11.3%.

Bank Deposits

Bank deposits (excluding inter-bank items) increased by Tk.11,044.70 crores or 18.6% to Tk.70,278.70 crores in 1999-2000 compared to the increase of 14.2% in the preceding year. Of this increase, time deposits went up by Tk.9,103.80 crores or 19.9% to Tk.54,881.10 crores, government deposits by Tk.723.60 crores or 14.8% to Tk.5,615.20 crores and demand deposits by Tk.1,142.50 crores or 13.3% to Tk.9,705.30 crores. On the other hand, restricted deposits increased by Tk.74.80 crores in 1999-2000.

Cash Reserve Requirement (CRR)

Statutory CRR with Bangladesh Bank was lowered for the scheduled banks to 4.0% of their liabilities (demand plus time deposits) (excluding inter-bank deposits) from 5% with effect from 1st October, 1999.

Bank Rate

The Bank Rate was lowered from 8.0% to 7.0% on 29th August, 1999 and remained unchanged through 30th June, 2000.

ISLAMIC BANKING CONCEPTS

According to **Islamic Banking Act of Malaysia**, an Islamic Bank is "company, which carries on Islamic Banking business. Islamic Banking business means banking business whose aims and operations do not involve any element which is not approved by the religion Islam."

Dr. Ziauddin Ahmed says, "Islamic banking is essentially a normative concept and could be defined as conduct

Objectives of the Islamic Banking

An Islamic Bank is a financial institution that operates with the objective to implement and materialize the economic and financial principles of Islam in the banking area.

The main objectives of Islamic Banking are:

- To conduct interest – free banking.
- To establish participatory banking instead of banking on debtor – creditor – creditor relationship.
- To invest through different modes permitted under Islamic Shariah.
- To accept deposits on profit – loss sharing basis.
- To establish welfare oriented banking system.
- To extend co-operation to the poor, the helpless and the low – income group for their economic enlistment.
- To play a vital role in human development and employment generation.
- To contribute towards balanced growth and development of the country through investment operations particularly in the less developed areas.
- To contribute in achieving the ultimate goal of Islamic economic system.

BACKGROUND OF SHAHJALAL ISLAMI BANK LIMITED

Shahjalal Islami Bank Limited is based on Islamic Shariah. SJIBL is named after the name of a saint Hajrat Shahjalal (R) who dedicated his life for the cause of peace in this world and hereafter and served the humanity. It was incorporated as a Public limited company on 1st April 2001 under companies Act 1994. It started its Banking operation on May 10, 2001 with the 1st branch (main branch) opened at 58, Dilkusha C/A, Dhaka obtaining the license of Bangladesh Bank, for enlistment of economic condition of its customers as well as to contribute sustainable economic growth and development in trade and industry of the country. Its corporate head quarter is situated at 10 Dilkusha C/A, Jiban Bima Bhaban, Dhaka-1000, Bangladesh. Now it has 26 branches, 13 branches are in Dhaka and rest 13 branches are in Chittagong, Sylhet and Gazipur. The sponsors of SJIBL are leading business personalities and renowned industrialist of the country. Now this bank has paid up capital – 46.83 million and No. Of Directors – 13 (source Internet).

Objectives

The objective of Shahjalal Islami Bank Limited is not only to earn profit but also to keep the social commitment and to ensure its co-operation to the person of all level, to the businessmen, industrialist specially who are engaged in establishing large scale industry by consortium and the agro-based export oriented medium and small scale industries by self inspiration.

SJIBL is always ready to maintain the highest quality of services by upgrading banking technology in management and by applying high standard of business ethics through its established commitment and heritage.

Vision and Mission

Vision:

- To provide quality services to customers.
- To set high standards of integrity.
- To extends customers innovation services acquiring state-of-the-art technology blended with Islamic Principles, and being total satisfaction to our clients and employees.

Mission:

- To expand Islamic banking throughout welfare oriented banking system.
- Ensure equity and justice in economic activities.

- Extend financial assistance to poorer section of the people.
- Achieve balance growth and equitable development

Service Offered by SJIBL

General service	Saving Account Current Account Corporate Account Short Notice Deposit
Deposit service	Fixed Deposit Scheme Monthly Income Scheme Monthly Saving Scheme Educational saving Scheme Mudaraba Mohor Deposit Scheme
Loan Scheme	Loan General Terms Loan Transport loan Project Loan Loan against House Building Housing loan scheme House Repairing loan Scheme Consumer Finances Scheme Small Business Loan Scheme Personal Loan Scheme Loan against LC
Other Service	Foreign Exchange Kushiara Western Union Remittance, T.T, DD Pay order

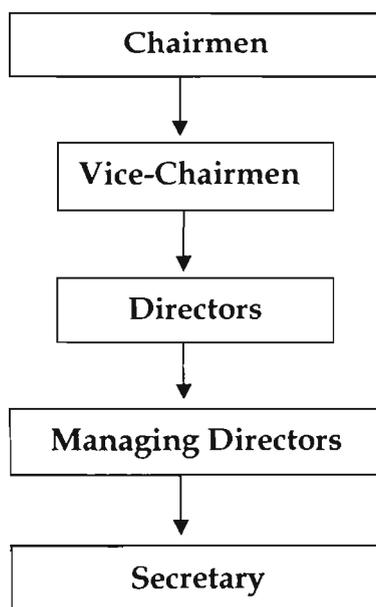
Organizational Structure

There are different wings to consist the organizational structure of SJIBL. There are

- Board of Directors
- Board Committees
- Executive Committees
- Policy Committees
- Management Team

Board of Directors

There is a board of Directors of 13 members in the bank. The board of Directors is the apex body of the bank. It appears like this-



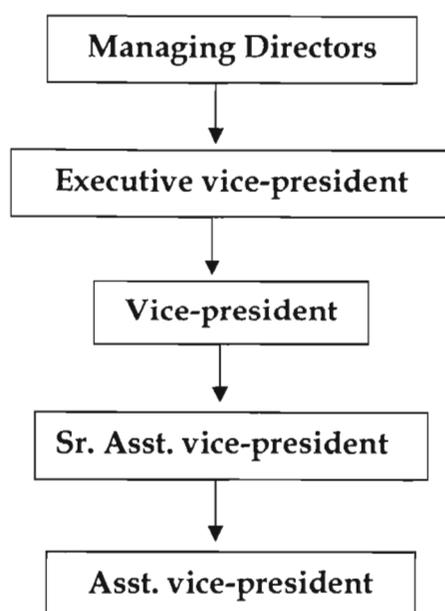
Board of Committees

The Board of Directors also decided the composition of each committee and determines the responsibilities of each committee.

Policy Committee

All matters relating to the principles, rules and regulation, ethics etc. for operation and management of the bank are recommended by the committee to the board of directors.

Management Team



Description of the departments

In the Dhanmondi Branch there are three departments these are

1. General Banking department
2. Foreign Exchange department
3. Loan or investment department

All the employees are bound to work 9am-6pm, But in the foreign exchange department the employees has to work up to 8pm. It depends on the work load of the day.

In the Branch there 23 employees in the Executive level. There are 4 peons to help in the many activities to the bank. The manager supervises the over all activities of the Bank and the Deputy Manager helps to supervise the assigned work. The senior officers coordinate all the activities of the bank.

FOREIGN EXCHANGE DEPARTMENT

Introduction

Banks play a very vital role in affecting foreign exchange transaction of a country. Mainly transactions with overseas countries are respect of –import; export and foreign remittance come under the purview of foreign exchange transaction. Central bank records all sort of foreign exchange transactions and therefore, transaction affected by the banks other authorized quarters are to be reported regularly to the Bangladesh Bank.

Meaning of foreign exchange

According to Dr. Paul Einzing "Foreign exchange is the system or process of converting one national currency into another and of transferring the ownership of money from one country to another.

Fundamentals of Foreign exchange

There are three fundamentals of foreign exchange: -

- Every country has it own currency legal tender.
- Banks effect the conversion of one currency to another by booking keeping entry carried out in the two centers concerned.
- These exchanges are affected by means of credit instruments viz. Draft, mail transfer, telegraphic transfer etc.

Foreign exchange Dept. of Shahjalal Islami Bank Ltd.

Shahjalal Islami Bank Ltd. foreign exchange dept. plays a vital role to earn the bank's maximum profit. The dept. is classified according to their activities. The foreign exchange dept. consists of three sections: -

- Import section,
- Export section,
- Foreign remittance section.

Opening of L /C

If an importer wants to import some goods from out side of Bangladesh, at first he has to apply to a bank for opening an L/C. Letter of Credit is a written undertaking of a bank written to the seller /exporter issued at the request of the buyer / importer to at site or a determinable future date. According to import policy unless otherwise specified, all import is to be made by opening irrevocable letter of credit. L/C can be opened against Proforma Invoice, if the exporter has no agent and L / C can be opened against Indent if the foreign supplier has indenting agent

Documentation Required for L/ C

- A photocopy of the membership Certificate of the Chamber of Commerce of the related business community,
- A photocopy of the Import Registration Certificate (IRC),
- A photocopy of the trade License (has to up date),
- Value Added Certificate (VAT) number,
- A copy of Proforma Invoice or Indent,
- Tax Identification Certificate (TIN)
- Certificate of Incorporation,
- Memorandum of incorporation,
- Insurance Cover Note,
- IMP Form

L /C Application

For opening L/C the client must be submit to the bank an application in the printed form of Shahjalal Islami Bank Ltd.. This L/C application is also an agreement between Shahjalal Islami Bank Ltd. and the importer. Along with the L/C application the importer must submit:-

- Proforma Invoice,
- Insurance Confronted,
- Four set of IMP form,

Importer should provide following information in the L/C application:

- Full Name and Address of the Beneficiary,
- Brief description of goods keeping conformity to the L/C indents,
- Currency amount of L/C, Unit price quantity, quality of goods,
- Origin of the goods,
- Mode of transport,

- Last date of shipment.

After receiving the application form with other required documents submitted by the opener they are to be thoroughly scrutinized. The points which shall be scrutinized are described below:

Examination of L/C Application

Application must be checked carefully in the following: -

- That the terms and conditions of the L/C application are consists with exchange control and import trade regulation, UDPDC-500.
- That the goods are eligible to import.
- That is not difficult for the beneficiary to comply with all terms and conditions to be incorporated in the L/C.
- The L/C must not be opened in favor of importer,
- That the importer signs it, agreeing terms and conditions,
- Goods are not of Israel and vessel used is not of Israel,
- Indenting registration number,
- Insurance cover note with date of shipment,
- Whether IRC up date or not,
- Radioactive report in case of food items.
- Whether IMP form dully filled in and signed,
- That goods are marketable,
- Whether liability is under appropriate limit,
- In case of car, the life is not more of 5 years. In case of old machinery, survey or certificate whether asked,
- Credit report of beneficiary in case L/C value of more than USD \$ 20,000.
- The A/O and description of goods in the application relevant with the indent / P.I. or import control,
- Whether transcription and partial shipment is allowed.
- If all the documents along with the applications are in order., the financial position and credit worthiness of the importer, market demand of goods will be assessed. Margin for L/C will also be determined. The rate of margin depends on the financial conditions of importer, importer previous performance, status of relationship with the banker, nature of goods etc. this margin is to be retained from the importer either in cash or debiting the importer current a/c with the bank. The importer is also

required to pay the other concerning charges like foreign corresponding charge, telex charge, handling charge, commission etc. In this time, the following Accounting treatments are maintained:

Account Treatment

Party a/c-----Dr.
Sundry deposit margin of L/C-----Dr.
Sundry deposit margin Fees-----Cr.
Income a/c (commission, telex, Postage etc.-----Cr.

Transmitting the L/C

The L/C is transmitted to the advising bank for advising then L/C to the beneficiary. L/C is generally transmitted through three methods. They are:-

- 1) Courier,
- 2) SWIFT,
- 3) Telex or Fax.

Before transmission, a final examination of the L/C contents is necessary for then issuing bank. It is customary to the beneficiary through an advising bank. Advising through a bank is a proof of apparent authenticity of the credit to the seller. Banks have corresponding relation or arrangement through the world by which the L/C is advised to the beneficiary. While advising, the advising bank does not undertake any liability. Before advising, the advising bank verifies the signature or test of the officers of the issuing bank. Advising bank is generally the nearest bank of the beneficiary's county or of that country.

Add Conformation

Very often advising bank receive request from the issuing bank to add their conformation while advising credit to the beneficiary. The advising bank can do it if there is prior arrangement between advising and issuing bank or if it

Feels that the issuing bank is a reputed and reliable institution and good enough to discharge its obligation. By being involved as a confirming agent, the agent the advising bank undertakes to negotiate beneficiary's bill without recourse to him.

Amendment of L/C

Amendment of L/C is based on agreement between buyers and sellers. Any amendment they want to bring in L/C should be informed to the issuing bank.

Issuing bank will transmit the amendment to the advising bank with test. Service and Telex charge is debited from the party a/c.

In case of revocable L/C amendment can be brought without prior notice of the beneficiary or issuing bank. But in case of irrevocable L/C, which is very much popular, can not be amendment with out informing beneficiary or the issuing bank.

Usually L/C amendment for the following requirements:

- Extension of validity of credit,
- Change of price / unit price,
- L/C value increase or decrease,
- Change of documentary requirement,

Regarding amendment, the following points are to be noted very carefully by the issuing bank.

- Amendment of L/C should be advised through L/C advising bank,
- Instruction of amendment should be complete and precise,
- Partial acceptance of amendment is not effective without agreement of all parties whose interests are involved.

Amendment of L/C means opening of new L/C. Therefore rules and regulations applied for opening of L/C are also applicable for amendment of L/C.

Receiving Documents

If the beneficiary is satisfied with the terms and conditions of the L/C then he dispatches the goods to the buyer. After that dispatch the documents, evidencing dispatching of goods, are being to send the negotiating bank on or before the stipulated expiry date of the L/C. The documents include:

- Commercial Invoice,
- Billing of lading,
- Bill of Exchange,
- Shipment Certificate,
- Pre-shipment Certificate,
- Certificate of origin,
- Packing list,
- Weight list

Payment of L/C

The issuing bank gives the payment to the negotiating bank in the following ways:

Date of payment: Usually payment is made within 7 days after the documents have been received. If the payment is become deferred, the negotiating bank may claim interest for making delay.

Prepare Sale Memo: A sale memo is prepared at Bangladesh currency rate to the customer. AS the T.T &O.D rate is paid to the international division (ID), the difference between these two rates is exchange trading. Finally an inter branch Exchange trading credit advice is sent to ID.

Requisition for the foreign currency: For arranging necessary fund for payment, a requisition is sent to the ID.

Transmission of Telex: A telex is transmitted to the correspondent bank ensuring that payment is being made.

Export Section

The export section of Shahjalal Islami Bank Ltd. of main branch is responsible for opening L/C negotiation of export documents, purchase of inland bill etc. As per Foreign Exchange Regulation Act,1947, nobody can export by post and otherwise than by post any goods either directly or indirectly to any place outside Bangladesh, unless a declaration is furnished by the exporter to the collector of customer or to such other person as the Bangladesh Bank may specify in this behalf that foreign exchange representing the full export value of the goods has been or will be disposed by Bangladesh Bank.

Registration of Exporter

Under the registration order 1952, no person can export any goods from Bangladesh unless he is duly registered as an exporter with the Chief Controller of Bangladesh authorized dears should therefore, ensure before certifying any export forms, as required, that the person is so registered. dealer.

After receipt of the EXP forms from the exporters for certification purposes, the authorized dealers will see and ensure that each set of the forms is duly filled in and signed by the authorized dealer.

The following documents are required to apply for registration of exports:

- Trade License
- Income clearance certificate,
- Nationality certificate,

- Bank solvency certificate,
- Asset certificate,
- Registration certificate,
- Memorandum of association,
- Rent receipt of business premises,
- Certificate of incorporation,

Advising of L / C

The banker provides little import information for example: name of importer and exporter, description of goods, expiry date, shipment date of L / C etc. The documents the bank receive

in cable at first and letter in original. Bank records the details of the L / C and prepare aafter getting the original L / C. Advise is prepared for the beneficiary, issuing bank and for office.

Negotiation of Export Bills

Shahjalal Islami Bank Ltd., main branch checks all points in the export documents and if they are free of irregularity the bills are negotiated. Negotiation is nothing but making payment to the exporter and sending the paper to the importer bank for reimbursement. The conversion rate of foreign exchange of negotiating date is applied. The foreign bills negotiate a/c is debited and party's a/c is credited. Transaction of foreign exchange are consolidated and sent to international division and accounts division of head office. The foreign bills negotiated a/c is credited by head office after the bills are realized.

Back to Back L / C

It is nothing but a secondary letter of credit opened by the advising bank in favor of a domestic / foreign supplier on behalf of the beneficiary or original foreign L/ C as per original letter of credit of bank by importer letter, it is called Back to Back L / C. The secondary L / c is opened on the strength of the original / master L / C for a smaller amount i.e. Maximum 75% is kept under lien and 10% under packing credit.

Back to Back Foreign L/C

When the back to back L/C is opened in a foreign country supplier it is called back to back foreign. It is generally payable with in 120 days at sight.

Back to Back Local L / C

When the back to back L/C is opened local purchaser of materials, it is called back to back local L/C. It is generally payable within 90 days at sight.

Procedures for back to back L/C

- Exporter should make application for back to back L/C,
- Export L/C or Master L/C is under lien,
- Opening of a back to back L/C.

Terms and conditions for back to Back L/C

- That customer has credit line facility in,
- That L/C is issued as per UCPDS-500,
- That on the export L/C a negotiating clause is present indicating that any bank in Bangladesh can negotiate,
- That there is no provision for blank endorsement of L/C,
- The payment clause is there on the L/C; issuing bank ensuring payment.

Consideration for Back to Back L/C

- Whether client can manufacture within time period,
- The unit prices of the finished Performa invoice should be considered while allowing margin,
- Consider for the expiry date and shipment date

Payment under Back to Back L/C

Deferred payment is made in case of back to back L/C as 60days, 90days, 120days, and 180days of maturity period. Payment will be given after realizing export proceeds from the L/C issuing bank abroad.

Foreign Remittance

Foreign remittance means purchase and sale of freely convertible foreign currencies as admissible under Exchange Control Regulations of the country. Purchase of foreign currencies constitutes inward foreign remittance and sale of foreign currencies constitutes outward foreign remittance.

The transaction of the authorized dealer in foreign exchange involves either outward or inward remittances of foreign exchange from one country to another.

A customer is permitted to endorse maximum US \$ 3000 per year for countries other than SAARC countries and US \$ 1000 for SAARC countries. If SAARC countries are to be visited by road then per year US \$500 can be endorsed per passport. At cash can not be endorsed over US \$500.

Shahjalal Islami Bank Ltd. issues following drafts:-

- Traveler's Check,
- Foreign Demand Draft,
- Endorsement of Cash.

RESEARCH FINDINGS

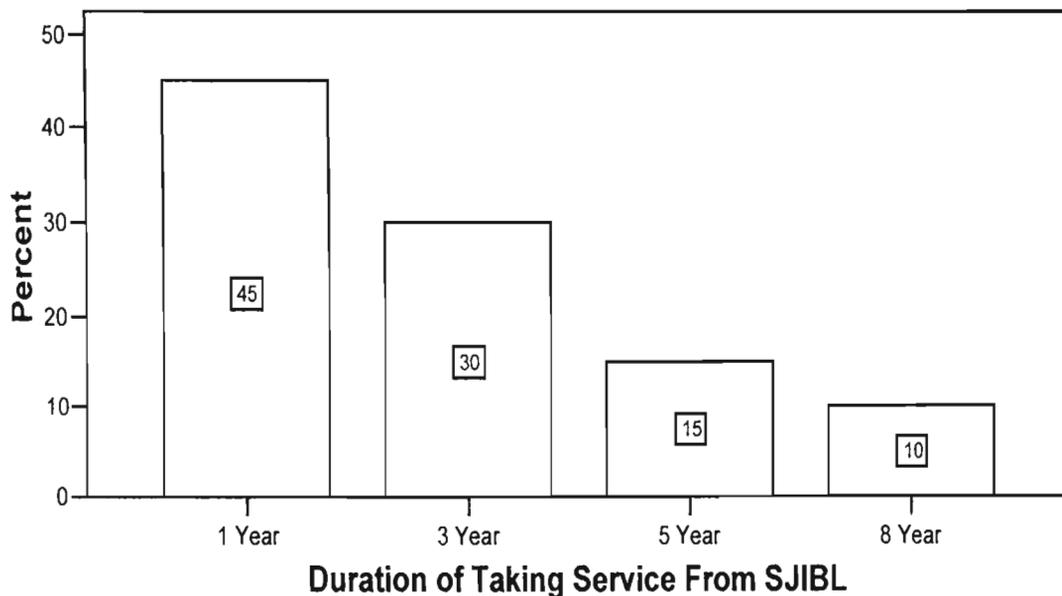
Duration of taking service from Shahjalal Islami Bank Limited

Shahjalal Islami Bank Limited is doing their business since 2001. This bank is a fast growing bank. In every business we know that relationship is a vital part. Without a good relation with its stakeholders a business can not run properly. For this reason I survey the relationship duration of the bank with the customers. In this survey we have found that 45% of the LC consumers are maintaining the relationship for 1 year. That means new customers are coming. There is another positive sign that is a valid percentage of the customers are maintaining business more than five years. The survey result is given below.

Duration of Taking Service from SJIBL

Duration	Frequency	Percent	Valid Percent
1 Year	9	45.0	45.0
3 Year	6	30.0	30.0
5 Year	3	15.0	15.0
8 Year	2	10.0	10.0
Total	20	100.0	100.0

Table: Duration of taking service from SJIBL



Graph: Duration of taking service from SJIBL

RESEARCH FINDINGS

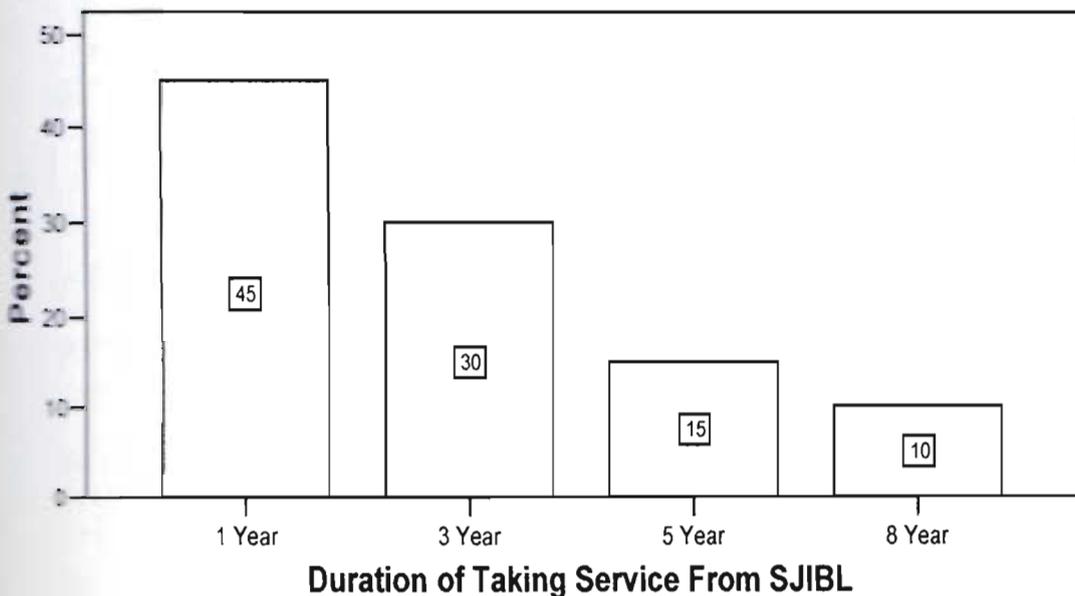
Duration of taking service from Shahjalal Islami Bank Limited

Shahjalal Islami Bank Limited is doing their business since 2001. This bank is a fast growing bank. In every business we know that relationship is a vital part. Without a good relation with its stakeholders a business can not run properly. For this reason I survey the relationship duration of the bank with the customers. In this survey we have found that 45% of the LC consumers are maintaining the relationship for 1 year. That means new customers are coming. There is another positive sign that is a valid percentage of the customers are maintaining business more than five years. The survey result is given below.

Duration of Taking Service from SJIBL

Duration	Frequency	Percent	Valid Percent
1 Year	9	45.0	45.0
3 Year	6	30.0	30.0
5 Year	3	15.0	15.0
8 Year	2	10.0	10.0
Total	20	100.0	100.0

Table: Duration of taking service from SJIBL



Graph: Duration of taking service from SJIBL

Purpose of Letter of Credit

Letter of credit can be opened for different purpose. The reasons may be for export or import. Or there may have some other reasons. Here I have found that many consumers are from RMG sector and they usually open letter of credit for export RMG product. Some firms are importing and some use letter of credit for local business. The findings are given below:

Purpose of LC

Purpose	Frequency	Percent	Valid Percent
Import	10	50.0	50.0
Export	10	50.0	50.0
Total	20	100.0	100.0

Table: Purpose of letter of credit

Purpose Of LC

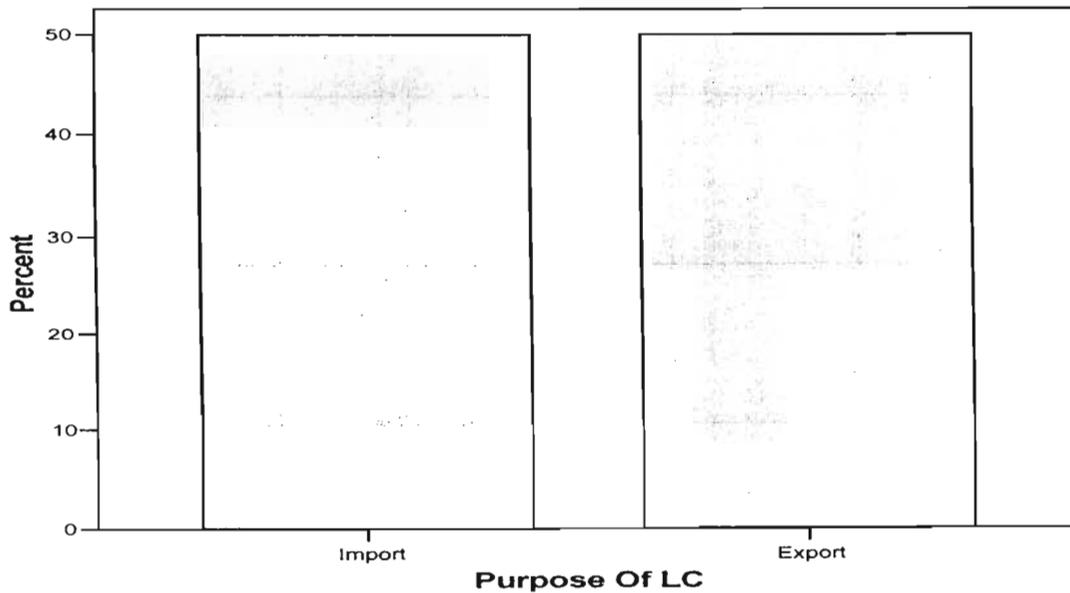


Chart: Purpose of Letter of credit

How often the customers need Letter of Credit

Letter of credit is used mainly for international business. Some LC's are also open for local business. The LCs are open for the ensured payments. As the LCs are open for international business and as it is a vast field customer are not sure about the frequency. But some big organizations that are doing business for many years they can predict how much order they can get. In my research I have also found the same scenario. 45% respondents do not know about their frequency. But a significant number knows how many order or how many LC they need in future. Which is a very positive sign for the bank because they can try to attract the big firms as there are some surety of business.

How often you need LC

Frequency	Frequency	Percent	Valid Percent
4 in a month	4	20.0	20.0
8 in a month	6	30.0	30.0
8 in two month	1	5.0	5.0
Depends up on order	9	45.0	45.0
Total	20	100.0	100.0

Table: How often customers need LC

How often you need LC

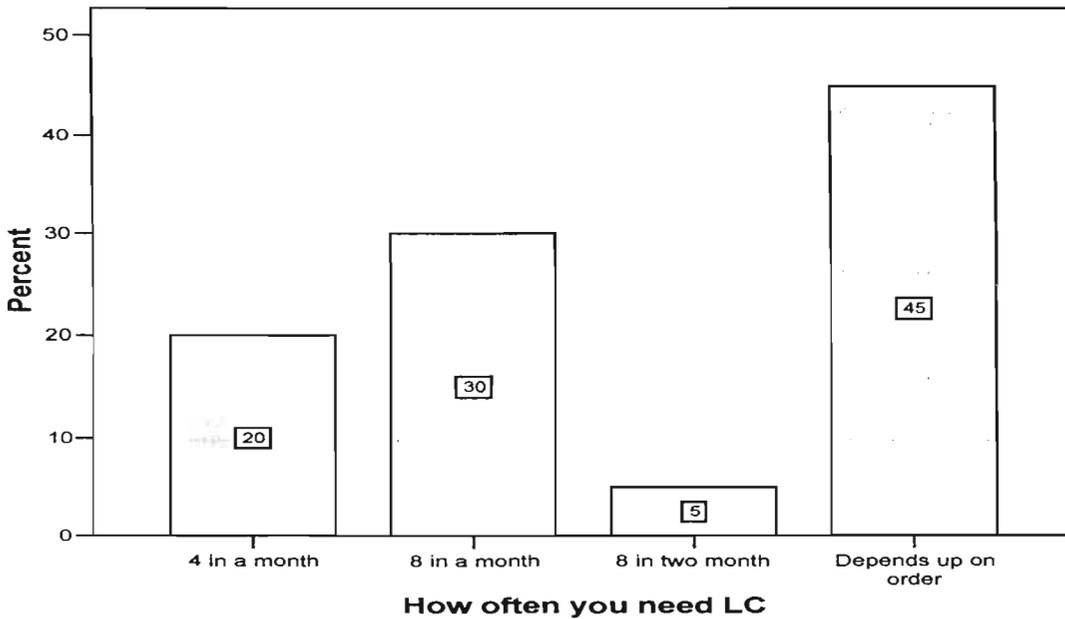


Chart: How often customers need LC

Criteria to choose a bank

Customers also want to get better service. In marketing there is a say that is customers are the kings. It is true that customers can exist without bank but without customers no body can think a single business. Customers have some criteria to select a bank. In my research I have found that many customers rely on relationship to choose a bank. The main reason behind this is to get faster service and get some incentives like quick loan facilities. Some of them choose on the basis of charge. If the bank charge is low, then they prefer that bank. Quick serviceability is another vital criterion. The numerical figures are given below:

Basis to choose bank

Criteria	Frequency	Percent	Valid Percent
Relationship	6	30.0	30.0
Quick Serviceability	6	30.0	30.0
Loan Facility	3	15.0	15.0
Charge	5	25.0	25.0
Total	20	100.0	100.0

Table: Basis to choose a bank

Basis to choose bank

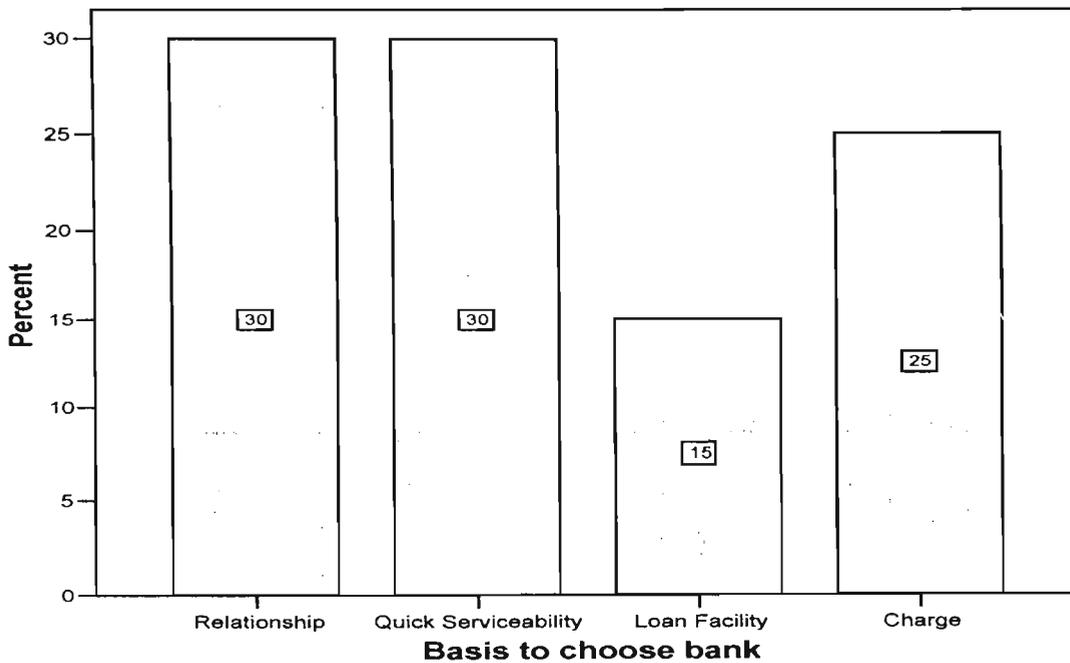


Chart: Basis to choose a bank

Destination of the Letter of Credit

Destination is a very important issue for the bank. On that basis the make collaboration with foreign bank. If they does not have enough collabourating bank customers will not feel encourage to get the service from the particular bank. In that report I have found that maximum of them are doing business with Asia region. And a valid percentage is held by USA and Europe. So Shahjalal Bank Should concentrates on those areas. Research findings are provided below

Destination

Destination	Frequency	Percent	Valid Percent
USA	2	10.0	10.0
Europe	10	50.0	50.0
Asia	8	40.0	40.0
Total	20	100.0	100.0

Table: Destination of LC

Destination

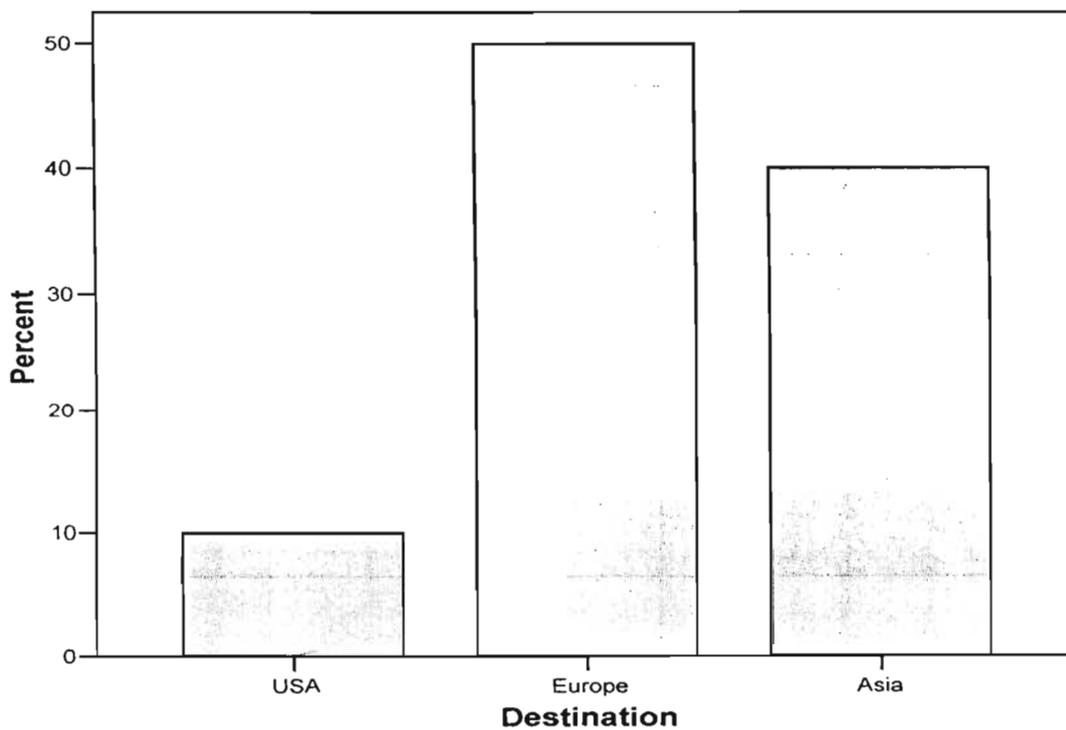


Chart: Destination of LC

Service and Employee Efficiency of SJIBL

Foreign exchange department is a very good source of income in a bank. SJIBL is earning a huge amount of money from this department. So the service should be on the satisfaction level. As well as the employees should have the efficiency to provide good service. 70% of the respondents think that the service of foreign exchange department is satisfactory as a whole. On the other hand 60% percent of them are neutral about the employee efficiency. It is a very big conflict. For this reason I took an oral interview of them to know about this matter. They said overall we are satisfied about the service but if you think individually then there is question. So SJIBL should concentrate on this matter.

Service of Foreign Ex is Satisfactory

	Frequency	Percent	Valid Percent
Agree	14	70.0	70.0
Neutral	6	30.0	30.0
Total	20	100.0	100.0

Table: Satisfaction level of foreign exchange department

Employees are efficient

	Frequency	Percent	Valid Percent
Agree	7	35.0	35.0
Neutral	12	60.0	60.0
Disagree	1	5.0	5.0
Total	20	100.0	100.0

Table: Employee satisfaction

Employees are efficient

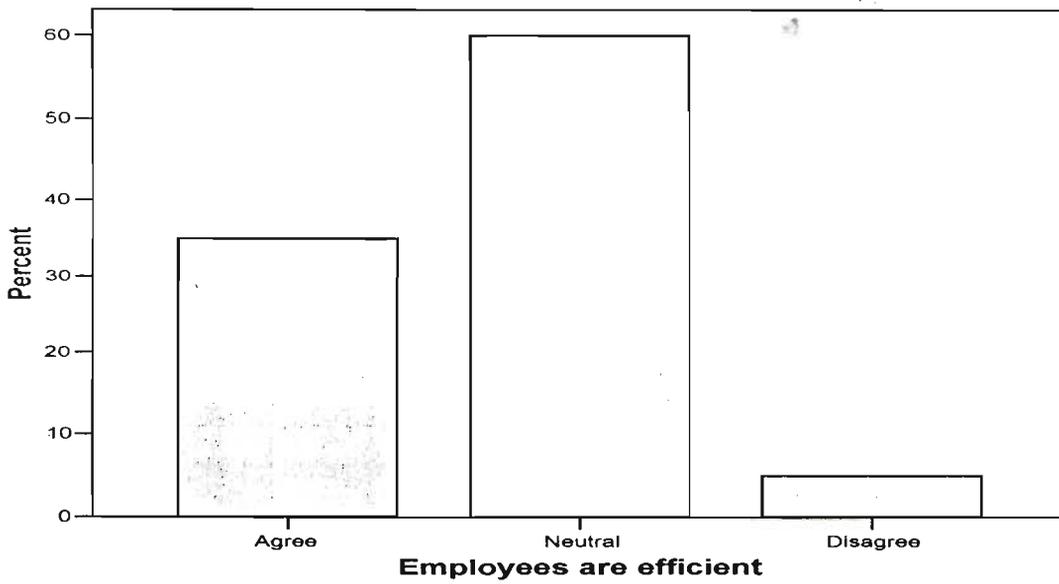


Chart: Employee efficiency

Service of Foreign Ex is Satisfactory

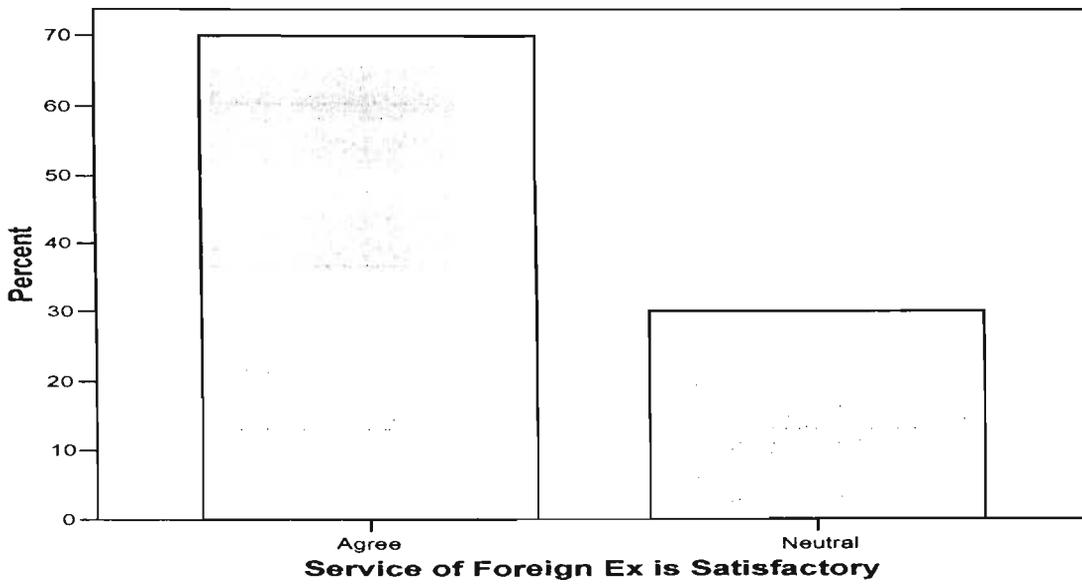


Chart: Satisfaction level

RECOMMENDATIONS

Shahjala Islami Bank Limited is one of the fastest growing banks. Few days ago it got another certification by camel rating. It is one of the top seven banks. We can easily realize that their achievements are gained by the management. It is obvious that there will be some problems. If the bank can solve the problems then its growth will be much faster than now. Some recommendations are given below:

- Increase the training facility of the employees.
- Provide more concentration in RMG sectors.
- Increase the collaboration with foreign bank.
- As the customers are relying on relationship, so bank should try to build strong relationship.
- Concentrate more in introduce technology to boost up the service.

CONCLUSION

Shahjalal Islami Bank Limited is based on Islamic Shariah. SJIBL is named after the name of a saint Hajrat Shahjalal (R) who dedicated his life for the cause of peace in this world and hereafter and served the humanity.

The objective of Shahjalal Islami Bank Limited is not only to earn profit but also to keep the social commitment and to ensure its co-operation to the person of all level, to the businessmen, industrialist specially who are engaged in establishing large scale industry by consortium and the agro-based export oriented medium and small scale industries by self inspiration.

To achieve the objectives Shahjalal Islami Bank provides different types of services. They provide general banking like account opening, FDR, DPS and some other service. They offer loans for make home, purchase car, apartments or some other personal purpose. Foreign exchange is another main service of Shahjalal Islami Bank.

On this report I worked on the procedures of LC and the motives of the customers to open LC. I also found out how many times and which destinations the customers are opening LC. The main purpose to do this type of research is to create a customer profile which will help them for better decision making and better forecasting.

I have found that the maximum customers are doing their business in RMG sector. They need Letter of Credit very frequently. They choose bank to open letter of credit by quick serviceability. So Shahjalal Islami Bank should focus on that issue. Their marketing department should maintain a good relationship with that sector. They should offer more loan facility and other incentives to them for attracting them.

BIBLIOGRAPHY

- Shahnaz Parvin (JAVP) Shahjala Islami Bank Limited, Dhanmondi Branch.
- Abu Huraira (JAVP) Shahjala Islami Bank Limited, Dhanmondi Branch.
- Forrukh Mahmud (MTO) Shahjala Islami Bank Limited, Dhanmondi Branch.
- Prospectus of SJIBL.
- **<http://www.shahjalalbank.com.bd>**
- Training sheet of Shahjalal Islami Bank Limited.
- www.asiatradehub.com