



A Study on Impact of FOREIGN EXCHANGE and its PROFITABILITY of Bank in SBI

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Abstract:

Bank can be termed as iron cell of blood in a financial system of a country. Without bank a financial system can't survive. From the very beginning of financial activity in human civilization bank has a remarkable contribution as a whole. Generally a bank comprises of three departments- General Banking, Credit Department, and Foreign Exchange Department. The department that is most important to a bank and to the interest of the country is Foreign Exchange Department. The foreign exchange in SBI is fully liberalized with exchange rates being determined by the forces of supply and demand. The market is quite extensive and is accessible to people and companies. Foreign exchange markets make extensive use of the latest developments in telecommunications for transmitting as well settling foreign exchange transaction, Banks use the exclusive network SWIFT to communicate messages and settle the transactions at electronic clearing houses such as CHIPS at New York. Institutional framework in SBI includes authorized foreign exchange, cambios, bureaux de change which will be explained further and also how foreign exchange works in SBI and they make profit and whether they are profitable or not will be discussed.

Keywords: Foreign exchange, profitability, bank, letter of bank.

I. INTRODUCTION

Banking-A pillar of economy- is guided by laws, rules, regulations and practices. The prime objective of the banking industry as a whole is to collect deposits from the public and to invest the same in the form of loans and advances to businesses. The leading foreign exchange market in India is Mumbai, Calcutta, Chennai and Delhi is other centers accounting for bulk of the exchange dealings in India. The policy of Reserve Bank has been to decentralize exchanges operations and develop broader based exchange markets. As a result of the efforts of Reserve Bank Cochin, Bangalore, Ahmadabad and Goa have emerged as new centre of foreign exchange market.

HOW FOREIGN EXCHANGE MARKET WORKS?

In a market there are buyers and sellers who negotiate and agree on the price for the commodity being exchanged. The foreign exchange market is no different. However, here the commodity being traded is foreign exchange and the price is the foreign exchange rate.

INSTITUTIONAL FRAMEWORK

To facilitate trade between sellers and buyers, an institutional framework has developed. Formally, there are three main groups - the authorised foreign exchange dealers, the cambios and the bureaux de change.

AUTHORISED FOREIGN EXCHANGE

Authorised foreign exchange dealers include all commercial banks, select merchant banks and the two largest building societies. Authorised dealers are able to undertake all types of foreign exchange transactions: the buying and selling of foreign

currency in the form of cash, drafts, travellerscheques and other instruments; the granting of loans and the taking of deposits; and the making of other international payments. Moreover, there is no monetary limit placed on the size of a foreign currency transaction.

CAMBIOS

The number of cambio operators currently in existence is 138. Cambios are licensed by, and operate within the guidelines stipulated by the Bank (SBI). They are permitted to buy and sell foreign exchange in the form of currency notes, drafts, money orders and other foreign effects in unlimited amounts. In addition, cambios are required to report to the Director of Public Prosecutions all cash transactions equal to or exceeding US\$8,000 or the equivalent in other currencies.

BUREAUX DE CHANGE

There are 88 bureaux de change currently in operation. These institutions exist to facilitate transactions in the hotel sector. Their primary trading activity is to exchange currency for their guests. However, there is a monetary limit of US\$10,000, or its equivalent in other currencies, for individual transactions. Bureaux de change sell, to the Bank (SBI), 10 per cent of their daily purchases of foreign exchange.

II. REVIEW OF LITERATURE

- Lois cheirer, Dec 2001 "Method and system for delivering foreign exchange risk management advisory solutions to a designated market"(YEAR 2001)

In this paper he suggest a Consistent with principles of the present invention ,a method and system for delivering foreign

exchange risk management advisory solutions to a designated marked is disclosed. For each user, the disclosed system generates an exposure model that is consistent with that user's risk management policy and a budget/pricing determination made in response to user information and external pricing information.

• **Laurent L. Journal of international business studies. “Management of Foreign Exchange Risk: A Review Article” (YEAR 2000)**

This paper reviews the literature on Foreign Exchange Risk Management (FERM) which has burgeoned during the last decade. Scholars' and practioners' emerging interest in Foreign Exchange Risk Management was spurred by the advent of fluctuating exchange rates in the early seventies as well as by the pronouncement of the infamous FASB Statement No. 8 in 1976 which laid down unambiguous guidelines for consolidating financial statements of multinational corporations.

• **Helen McIntosh, “How foreign exchange market works” (YEAR 2016)**

Helen shows the study on the functioning of foreign exchange in India. Since full liberalization of the foreign exchange market at the beginning of the 1990s, there has been a lot of discussion on the efficiency of the market and the appropriateness of the foreign exchange rate. In particular, there have been concerns as to whether the foreign exchange rate correctly reflects the forces of supply and demand in the market.

III. PROFILE OF THE COMPANY

State Bank of India (SBI) is an Indian multinational, public sector banking and financial services company. It is a government-owned corporation headquartered in Mumbai, Maharashtra. The company is ranked 216th on the Fortune Global 500 list of the world's biggest corporations as of 2017. It is the largest bank in India with a 23% market share in assets, besides a share of one-fourth of the total loan and deposits market. SBI has 18,354 branches in India. In the financial year 2012–13, its revenue was ₹2.005 trillion (US\$28 billion), out of which domestic operations contributed to 95.35% of revenue. Similarly, domestic operations contributed to 88.37% of total profits for the same financial year.

International presence



The Israeli branch of the State Bank of India located in Ramat As of 2014–15, the bank had 191 overseas offices spread over 36 countries having the largest presence in foreign markets among Indian banks. SBI operates several foreign subsidiaries or affiliates. In 1989, SBI established an offshore bank, State Bank of India International (Mauritius) Ltd. This then amalgamated with The Indian Ocean International Bank (which had been doing retail banking in Mauritius since 1979) to form SBI (Mauritius) Ltd. Today, SBI (Mauritius) Ltd has 14 branches -

13 retail branches and 1 global business branch at Ebene in Mauritius. SBI Sri Lanka now has three branches located in Colombo, Kandy and Jaffna. The Jaffna branch was opened on 9 September 2013. SBI Sri Lanka is the oldest bank in Sri Lanka; it was founded in 1864.

III. RESEARCH DESIGN OBJECTIVES OF THE STUDY

- To understand the concept of foreign exchange services provided in financial institutions.
- To study and evaluate the foreign exchange services provided by the SBI.
- To analyse the profitability in foreign exchange transactions carried on by the bank.
- To give suggestions based on the findings.

LIMITATIONS OF THE STUDY

- Problem in getting authentic data.
- No reliable data.
- Information not getting anything outside the bank.
- The time period is limited.

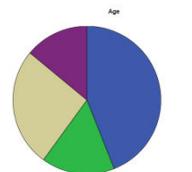
IV. RESEARCH METHODOLOGY

The methodology used in this research is descriptive research. Descriptive study is used to describe characteristics of a population or phenomenon being studied.

DATA COLLECTION: The present study incorporates the collection of both primary and secondary data for in depth study.

- **PRIMARY DATA** (Collection of data for questionnaire (50))
- **SECONDARY DATA** (Collection of data through journals, magazine, website)

ANALYSIS AND INTERPRETATION OF DATA



1:20 -25 age, 2:25-30 age,3:35-40 age,4:40-45 age

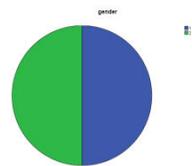
Majority of the people doing business are of age 20-25 owing 44% of the total.

People between 25-30 age consists of about 16%.

People of the age between 35-40 consists of 26 %.

Remaining 40-45 age are 14%.

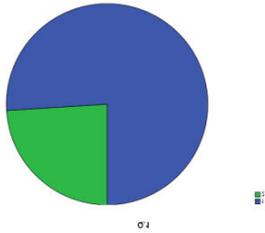
GENDER



1: MALE, 2: FEMALE

50% of population are male,

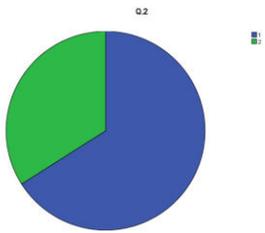
50% of population is female.



1: YES, 2:NO

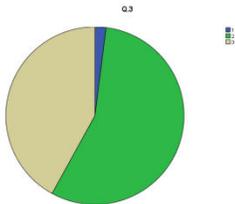
Majority of people have other bank account except SBI for remittance and foreign exchange i.e., 76% have account other than SBI.

24% of people have only SBI bank account.



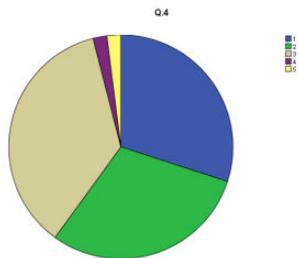
1: YES, 2:NO

66% of people are aware of the all the remittance and foreign exchange services that SBI offers. While 34% of the people are not aware of the services provided by SBI bank.



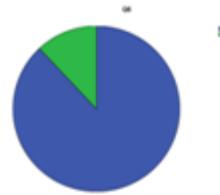
1:DAILY, 2:WEEKLY, 3:MONTHLY,4:NEVER

2% of people visit bank daily for foreign exchange.
56% of the people visit bank weekly for foreign exchange.
42% of people visit monthly for foreign exchange.



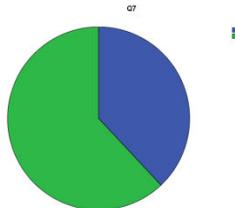
1:1-2 YEAR, 2:2-3 YEAR, 3:3-4 YEAR, 4:4-5 YEAR, 5:5 YEAR OR ABOVE

30% of people are doing business with SBI bank for 1-2 year.
30% of people are doing business for 2-3 year with SBI bank.
36% of the people are doing business for 3-4 year with SBI bank.
2% of people are doing business for 4-5 year with SBI bank
2% are doing business for 5 or above year with SBI bank.



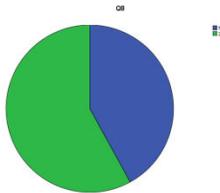
1: YES, 2:NO

88% of customers are satisfied with the foreign exchange services provided by SBI bank.
12% of the customers are not satisfied with the services of SBI bank in terms of foreign exchange.



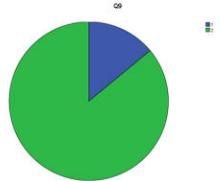
1:MORE,2: REASONABLE

38% of customers find SBI charges to be more.
62% of customers find SBI charges to be reasonable.



1: YES,2:NO

42% of customer find private bank or foreign bank to be better for the foreign exchange services.
58% say no to the private and foreign bank services.



1: YES, 2:NO

14% of the customers said that there should be improvement in the services provided by SBI bank.
While 86% of the people don't want improvements in the services provided by SBI bank, they are satisfied.

SUMMARY OF FINDINGS, CONCLUSIONS AND SUGGESTIONS

FINDINGS

- Those who are of age group between 20-25 years hold the 44%, as these are the age group who are more than other age group.
- 76 % of the people have other bank account except SBI for foreign exchange.
- 66% of the people are aware of all the services that SBI offers.

- 56% of people visit bank weekly for foreign exchange.
- 36% of people are doing business for 3-5 year with SBI bank.
- 88% of the customers are satisfied with the foreign exchange services provided by SBI bank.
- 62% of customers find SBI bank charges to be reasonable.
- SBI bank charges are 10-20% and 20-25% depending on the services.
- 86% of the people don't want improvement in the services provided by SBI bank.
- Currency used by the customers are US DOLLAR, EURO AND CANADIAN DOLLAR.
- Bank earn sufficient profit from foreign exchange services.

The main sources of foreign exchange are export earnings from goods and services, remittances from overseas, direct investment flows and private and official loan inflows. The owners of these receipts are the fundamental suppliers in the market, that is, they sell foreign exchange to licensed foreign exchange dealers who are then able to sell to other institutions and individuals. On the other hand, individuals and companies need to buy foreign exchange for various reasons. These buyers use the foreign exchange to pay for imports of merchandise, to make service payments (inclusive of travel), to repatriate profits, and to repay external debt.

V. REFERENCES

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