

**FOREX TRADING AS A PART TIME EARNING
OPPORTUNITY AND AS A METHOD OF EARNING
FOREIGN CURRENCY - A PRIMARY STUDY
DONE IN SRI LANKAN CONTEXT**

Neluka Maduranga Karannagoda

Assistant Librarian, Systems of Main Library, University of Colombo

nelukakarannagoda@gmail.com

Abstract

Key Words: Forex Trading, Self-Employment, Sri Lanka

The word “Forex” which troubles us to understand stands for Foreign Currency Market. Many people know about Foreign Currency Market, but they do not know about Forex as it is an unfamiliar word for them. However, as it is mentioned, Foreign Currency Market is a place where Foreign Currencies are exchanged. In Forex, foreign currencies are exchanged between buyers and sellers and ultimately it determines the value of a certain currency in the market. Actually, Forex is the largest exchange market in the world. Also this is the only place that any person can join and earn without any conditions. Therefore it is possible to say that this is a large job market. There are no limits to the available job opportunities in Forex. Also it is opened 24 hours per day and anyone can join it through internet at any place using the computer or Android device. Therefore if someone can join the Forex and behave in a profitable way he can earn an extra income as well as foreign currency for his country. But the problem is, in Sri Lanka forex trading is not legally authorized. As the foreign currency

account of Sri Lanka is a closed one it is not allowed to invest in foreign currency market for the general public.

Introduction

The word “Forex” which troubles us to understand stands for Foreign Currency Market. Many people know about Foreign Currency Market, but they do not know about Forex as it is an unfamiliar word for them. However, as mentioned, Foreign Currency Market is a place where Foreign Currencies are exchanged(Lubrication, n.d.). In this place, most commonly used currencies in the world such as EURO, USD, JPY, AUD, and GBP are exchanged. It is something like our stock market in Colombo. In stock market, the shares of leading companies in Sri Lanka are exchanged among buyers and ultimately investments are gathered for companies. Similarly, in Forex Market Foreign Currencies are exchanged between buyers and sellers and ultimately it determines the value of a certain currency in the market. In world scale, the values of Forex market are determined by economic changes that take place in the world. Especially the main bank systems of world’s powerful countries and economies of countries such as America, England, Australia, New Zealand, Japan and Europe directly affect the status of the financial market. But it is only for relevant currencies.

Actually Forex is the largest exchange market in the world just like the stock market in Sri Lanka. Also this is the only place that any person can join and earn without any conditions. Therefore it is possible to consider this as a large job market. There are no limits to the available job opportunities in Forex. Also it is open 24 hours per day and you can join through internet from any place through your

computer or using your android device (Sinhalese Forex Igeneganna, n.d).

Forex Trading is trading currencies from different countries against each other. Forex is acronym of Foreign Exchange.

For example, in Europe, the currency in circulation is called the Euro (EUR) and in the United States the currency in circulation is called the US Dollar (USD). An example of a forex trade is to buy the Euro while simultaneously selling US Dollar. This is called going long on the EUR/USD(Direct FX / Global Forex Brokers, n.d.).

Forex trading is typically done through a broker or market maker. As a forex trader, you can choose a currency pair that you expect to change in value and place a trade accordingly(Barbosa & Belo, 2008). For example, if you had purchased 1,000 Euros in January of 2005, it would have cost you around US\$ 1,200. Throughout 2005 the Euro value vs. the U.S. Dollar value increased. At the end of the year 1,000 Euros was worth 1,300 U.S. Dollars. If you had chosen to end your trade at that point, you would have a US\$ 100 gain.

Forex trades can be placed through a broker or market maker. Orders can be placed with just a few clicks and the broker then passes the order along to a partner in the Interbank Market to fill your position. When you close your trade, the broker closes the position on the Interbank Market and credits your account with the loss or gain. This can all happen literally within a few seconds(Lai, Yu, & Wang, 2004).

Therefore if someone can join the forex and behave in a profitable way he can earn an extra income as well as he can earn foreign currency

for his country. In Sri Lanka, in recent past we could see that so many websites published the required knowledge to the general public to behave in the forex trading in a profitable way. Some foreign companies started Skype helping and email helping in Sinhala language too to motivate the Sri Lankan people to earn profits through forex trading.

Purpose of this study

In the above context, if someone behaves in the Forex Trading in a profitable way it will be beneficial for him as well as for the whole country but if he behaves in the forex market in an unprofitable way it will be other way around. In Sri Lanka, up to now, no study on this area has been conducted to find out whether Forex Trading can be improved as a profitable part time work by engaging in small scale with the approval and assistance of the government without affecting the foreign currency account of Sri Lanka. Therefore in this study the researcher would like to conduct an investigation to understand whether the forex trading can be done by any person without any higher education in a profitable way using the information published on the websites.

Main Objective

To find out whether the forex trading can be conducted in a profitable way by any person without having higher education and whether it can be improved as a part time career opportunity.

Methodology

According to the major FOREX agent company called NORDFX, currently there are about 25000 people in Sri Lanka conducting online trading under the company. As such, the researcher contacted that company and obtained a list of 60 Sri Lankan people selected randomly who had registered under the NORDFX Company and obtained their consent to use their information for the research.

The company provided only the first name and the email addresses of above registered persons due to the security reasons and to protect the privacy of the above 60 people. Questionnaires were prepared to collect data from above persons and sent them through email. Response rate was 60% and 6 responses were rejected due to incomplete data. As such, finally, 30 respondents were selected for the analysis.

Questionnaire was comprised with 20 close ended questions and no personal information were collected to protect the respondent privacy as the Forex Trading is not legal in Sri Lanka and to increase the accuracy and the response rate.

Results

These 30 respondents represent all the provinces in Sri Lanka except the Northern and Eastern. However, among the rejected 6 responses, there were 3 Eastern people. All the respondents are conducting the forex trading as a part time earning opportunity and have only an average skill of working with computers and internet. According to them they got to know about the forex trading through web advertisements and had a small online training by reading the

information provided through websites of the forex broker agent companies.

According to the Table 1 the average initial investment in Forex trading is US\$ 103. That means most of the people who engage in Forex trading from Sri Lanka start trading by investing an average of 103 US\$. Table 2 shows the average working hours per day on Forex trading by the investors and it is around 4 hours per day. According to the table 3 most of the people engage in Forex trading in Sri Lanka is in the age limit between 25 to 40 years. About 75% of the respondents belong to the age limit of 25- 40 years. In table 4 it is demonstrated that the average earning per day of a respondent is around 3 US\$.

Ultimately, according to the above results, it has been found out that with an initial minimum investment of US\$ 100 one can earn at least US\$ 3 per day by trading in the foreign exchange market at least 4 hours per day without having any losses. That means if anyone work 30 days per month he can earn US\$ 90 per month. In Sri Lankan Rupees it is around Rs. 13500. If anyone can invest more and can spend more time the earning will be higher.

Discussion

However, in Sri Lanka, forex trading is not a legal thing. Due to the closeness of the foreign currency account of Sri Lanka it has not been allowed to invest in foreign currency market for the general public. According to the Exchange controller department of Sri Lanka, it is a punishable offence to engage in forex trading under the provisions of section 5(1) and 7(a) of the Exchange Control Act. Forex is not an

illegal thing like the pyramid system because forex trading is a Legal trading opportunity all over the world but according to the exchanger controller act passed in 1986 it is prohibited to invest in foreign countries for the individuals in Sri Lanka. It is mentioned as follows in the exchanger controller act 1986.

5. (1) Except with the permission of the Bank— (a) no person other than an authorized dealer, shall in Sri Lanka buy, borrow or accept any gold or foreign currency from, or sell or lend any gold or foreign currency to, or exchange any foreign currency with, any person other than an authorized dealer, and

7. Except with the permission of the bank no person shall in Sri Lanka— (a) make any payment to or for the credit of a person resident outside Sri Lanka, or (b) make any payment to or for the credit of a person resident in Sri Lanka by order or on behalf of a person resident outside Sri Lanka, or (c) place or hold any sum to the credit of any person resident outside Sri Lanka:

Also in the “A Guide to foreign exchange transaction Sri Lanka” it is mentioned the allowed credit card payment to foreign countries as follows.

Credit, Debit and other Electronic Fund Transfer Cards (EFTCs) may be issued to residents of Sri Lanka by authorized dealers. However, such cards may also be issued to NRFC, RNNFC, RFC and FCBU account holders, irrespective of their resident status provided that expenditure incurred on such EFTCs would be debited to the above mentioned accounts. It has been stipulated in the Government Gazette Notification No.1411/5 of 19th September, 2005 that any EFTC with

global access shall be used to make foreign currency payments only for following purposes.

- Payment to be made abroad by a cardholder for services of a personal nature including travel, accommodation, medical, living and educational expenses.

- Payment for purchase of goods abroad for personal use. ω Payment for import of goods into Sri Lanka for personal use subject to a limit of US\$3,000 (c.i.f) or its equivalent in any other foreign currency per consignment.

- Payment of registration fees, examination fees and annual subscription fees of a personal nature payable to a foreign professional body or academic institution.

- Payment to be made in respect of insurance premium only for travel and health insurance of personal nature.

Therefore under the above guidance too it is illegal to transfer money to forex trading through Credit cards.

But, up to now it has been not published in the media that it is an illegal thing to do forex trading inside Sri Lanka. Also it is allowed to publish details about Forex trading and to motivate people to conduct Forex trading through many web sites. Therefore without knowing that this is an illegal and punishable offence many people in Sri Lanka are involved and engage in forex trading. According to the one of a major agent company called NORDFX, currently there are about 25000 people in Sri Lanka doing online trading under that company. There are so many other companies too. Then definitely there will be

more than 100,000 persons who engage in Forex trading in Sri Lanka.

Conclusion

According to the above results it can be seen that the forex trading in a small scale could be conducted in a profitable way. Therefore it is advisable to relax the foreign exchange rules by the Sri Lankan government and motivate this as a part-time career opportunity in Sri Lanka under the supervision of the government. Then it will be beneficial to the general public as a part time or full time career opportunity and to the government as a method of foreign currency earning for Sri Lanka. Main limitation of this study is that the sample size is very low due to lack of responses. Therefore the Researcher would like to suggest to conduct a more comprehensive research on this topic by the government to get more understanding about the situation and to check whether the results will be same or not. If that study also shows same results, the government can make the Forex Trading legalized as early as possible with necessary rules and regulations for the benefit of the Sri Lankan people.

Tables and Figures

Table 1. Average initial investment by persons who engage in Forex trading in Sri Lanka

Respondent	Initial Investment in \$	Respondent	Initial Investment in \$
R-1	100	R-16	100
R-2	110	R-17	100
R-3	120	R-18	100
R-4	90	R-19	50
R-5	95	R-20	70
R-6	105	R-21	120
R-7	85	R-22	140
R-8	95	R-23	110
R-9	100	R-24	100
R-10	100	R-25	105
R-11	110	R-26	100
R-12	80	R-27	105
R-13	50	R-28	90
R-14	150	R-29	95
R-15	200	R-30	120
Total Investment		3095	
Number of Investors		30	
Average Investment		103	

Table 2. Average working hours per person per day on Forex Trading

Respondent	Time spend per day (Hr)	Respondent	Time spend per day (Hr)
R-1	4	R-16	3
R-2	3.5	R-17	5
R-3	5	R-18	4
R-4	5	R-19	2.5
R-5	4	R-20	5
R-6	3	R-21	2.5
R-7	5	R-22	3.5
R-8	4	R-23	4
R-9	3	R-24	4
R-10	4	R-25	5
R-11	5	R-26	4
R-12	4	R-27	5
R-13	2.5	R-28	4
R-14	3.5	R-29	5
R-15	2	R-30	4
Total Hours		118	
Number of Investors		30	
Average Hours Spend		4	

**Table 3. Age limit distribution of the persons who engage in
Forex Trading in Sri Lanka**

Age Limits	Numbr of Investors
20 -25	1
25-30	8
30-35	7
35-40	7
40-45	4
45-50	3
50-55	0
55-60	0

**Table 4. Average earnings per day by persons who engage in
Forex trading in Sri Lanka**

Respondent	Average earning per Day (\$)	Respondent	Average earning per Day (\$)
R-1	4	R-16	3
R-2	4	R-17	3
R-3	4	R-18	4
R-4	2	R-19	1
R-5	2	R-20	1
R-6	3	R-21	4
R-7	2	R-22	4
R-8	1	R-23	3
R-9	3	R-24	3
R-10	3	R-25	3
R-11	4	R-26	3
R-12	2	R-27	3
R-13	1	R-28	2
R-14	6	R-29	1
R-15	8	R-30	3
Earning per Day		90	
Number of Investors		30	
Average Earning per Day		3	

References

Barbosa, R. P., & Belo, O. (2008). Autonomous Forex Trading Agents, 389–403. Retrieved from http://link.springer.com/chapter/10.1007/978-3-540-70720-2_30http://link.springer.com/chapter/10.1007%2F978-3-540-70720-2_30http://link.springer.com/content/pdf/10.1007%2F978-3-540-70720-2_30.pdf

Direct FX / Global Forex Brokers. (n.d.). Retrieved May 12, 2017, from <https://directfx.com/en>(n.d.). Retrived May 12, 2017, from <http://www.laxforex.com/>

Exchanger Control Department Central Bank of Sri Lanka.(2005)*A Guide to Foreign Exchange Transactions.*

Lai, K. K., Yu, L., & Wang, S. (2004). A neural network and web-based decision support system for forex forecasting and trading. *Lecture Notes in Artificial Intelligence (Subseries of Lecture Notes in Computer Science)*, 3327, 243–253. Retrieved from <http://www.scopus.com/inward/record.url?eid=2-s2.0-264444446488&partnerID=tZOtx3y1>

Lubrication, F. F. (n.d.). Chapter 1. *Lubrication*, 1–44.

Sri Lanka Exchange control act of 1986, 5 (I), 7 (a) (b) (c), pp 2- pp 7