

**An Internship Report On  
Overview of  
Operation of International  
Department Of  
Southeast Bank Limited**

**A Bank with Vision**

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## Letter of Transmittal

January 12, 2007

**S I Nusrat A Chaudhury**  
Assistant Professor  
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Dear Sir:

Here is the internship report on Southeast Bank Limited, which you had assigned to me at the beginning of the semester.

To analyze this paper conveniently, it has been divided into two major sections: description on the organizational aspects of Southeast Bank Ltd. in organizational part and description of international department in the project part. A separate set of recommendations has been prepared for both of the sections. I have tried my level best to gather all the relevant information about operation of International Department of Southeast Bank Ltd. The analysis and set of recommendations are subjective.

I sincerely hope that the report will provide you an overview of the performance of the organization. I have truly enjoyed this internship part of my graduation. If you need any query regarding this report, please ask me.

I am grateful for your cooperation to prepare this report.

Sincerely,



**Janifar Afrin**  
ID # 2002-2-3-10-061

## Acknowledgement

-1

The internship report is a part of my graduation, which has been prepared under the careful guidance and supervisor of S I Nusrat A Chaudhury, Associate Professor of Business Administration, East West University, for his sincere initiation in arranging my Internship Program in the Bank, Which provided an opportunity to enhance my theoretical knowledge by working in the practical field.

Without any cooperation of M.Shamsul Islam, Senior Vice President (Head of Treasury Division), M.Shamsul Islam (Assistant Vice President & Head of Treasury) Md. Amir Hossain Bhuiyan, Assistant. Vice President (International Division), M.Mamunur Rashid (Principle Officer of International Division) Md.Shamsul Alam (Executive Officer of International Division) this report can not complete.

The man to whom I must express my gratitude for collecting information, Khairul Anam Mohiuddin (Principal Officer Chief Dealer, FX&FX Research or Treasury division) helped me a lot.

Still there are a lot of names to whom I am grateful that they not only help me but also instructed me in different aspect for to work in the organizational environment.

Finally, I am grateful to them all of the officials of Southeast Bank Limited, who have extended their support for providing all the necessary relevant valuable information in writing this report.

Thank You.

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## Executive Summary

Southeast Bank Limited (SEBL) is a scheduled commercial bank in the private sector, which focuses on the established and emerging markets of Bangladesh. It was incorporated as a public limited company on March 12, 1995 and started commercial Banking operation on May 25; 1995. SEBL offers a full range of Banking Services and has Thirty Seven branches throughout Bangladesh. The bank's operations broadly in Bangladesh are in the areas of business banking, retail banking, and ATM card services division. The bank offers numbers of retail products in the form of loans / savings schemes as well as various types of trade financing facilities to its customers. The major strengths of Southeast Bank Limited are its reputation, image, customer service and variety of products. At the same time, major weaknesses include lack of inter-departmental communication and storage facilities and centralized decision making, prohibiting bottom-up communication. An industry analysis has been carried out to scan the macro environment which affects Southeast Bank Limiter's operations in Bangladesh. A set of recommendations have been generated for further development and expansion of Southeast Bank Limiter's operations in Bangladesh.

SEBL performs well in marketing its financial products. Southeast Bank Limited is the first bank in the country to use VSAT at all its branches across the country. And thereby introduced the new product of **“Real Time on Line Any Branch Banking Service”** for cash withdrawals, deposits, electronic fund transfer, balance enquiry, accounts statements etc. by customers. Southeast Bank Limited also launched a new product Islamic Banking in selected branches of the bank at Sylhet, Cox's Bazaar and Chagalnaiya. SEBL has also achieved tremendous success in deposit collection with in a short period of time. The growth rate in deposit is 20.38% compared to last year. This growth rate might be termed as remarkable achievement considering the volatile economic scenario of the country during the part of 2007. Finally, a set of recommendations have been provided for overcoming the problems of SEBL.





## **PART-1**

### **ORGANIZATIONAL PART**

## **Chapter 1**

### **INTRODUCTION**

## 1.1 Origin of the Report:

This report is a presentation of 12 (twelve) weeks long internship program as part of academic requirement of the Bachelor of Business Administration (BBA) program. One of the parts of this report is Organization part, which is an overview of southeast Bank Limited.

## 1.2 Objective of the Report:

The main objectives of this report are as follows:

- To have some practical exposure that will be helpful our BBA courses.
- To learn disk-wise activities in International Division.
- To gather knowledge the functions and transactions of various departments of bank.
- To learn and get the knowledge about foreign exchange and its transactions.
- To have some practical exposure in Remittance department.

## 1.3 Methodology of the study

In order to make the report more meaningful and presentable, two sources of data and information have been used widely.

- Primary Data
- Secondary

Both primary and secondary data are used to write the report.



#### 1.4 The “primary Sources” are as follows:

- Face-to-face conversation with the respective officers and staffs of the Head Office.
- Information collection from the Clients.
- Practical work exposures from the different desks of International Division and Foreign Exchange department.

Relevant files study as provided by the officers concerned

#### 1.5 The “Secondary Sources” of data and information are:

- Annual Reports 2006 of **SEBL**.
- Periodicals published by Bangladesh Bank.

Various books, articles, compilations etc. regarding general banking functions, foreign exchange operations and international division.

#### 1.6 Limitations of the Study

The present study was not free for limitations. It is important to note that these limitations have somehow contributed in developing a informative and outstanding report. These limitations are discussed briefly below:

- ✓ **Inadequacy of data:** The annual report was the main secondary source of information that was not enough to complete the report and private the reader a clear idea about the Bank.

- ✓ **Limitation:** 12(Twelve) weeks observation and orientation is not enough to be a mastermind of commercial banking despite all sorts of cooperation from the employees. It was one of the main constraints that hindered to cover all aspects of the study.
- ✓ **Non co-operative:** Every organization has their own secrecy that is not published to others. While collecting the data i.e. interviewing the employees, executives of other banks, they did not disclose much information for the sake of confidentiality of the organization.
- ✓ **Lack of Statistical Tools:** Various statistical tools had not been used while analyzing the data, as I have very limited knowledge on Statistics and its applications.

## **Chapter 2**

# **Industrial Analysis**



Banking sector is one of the stable, constant growing sectors in Bangladesh. So it has been recognized as an established industry in our country. SEBL has created a strong position in this industry and emerged as one of the best banks. I will try here to depict the picture of SEBL compare to other banks.

## **2.1 Growth in industry:**

The rivalry among the competitors depends on the overall growth of the industry and the stage of the business cycle and the industry life cycle. If the industry is booming and the industry life cycle is in the growing stage, then there would be a higher intensity of rivalry among the competition. However, if the industry is in declining stage then there would be a low intensity of rivalry because at that time question survival would come first than market share.

Standard Chartered Bank launched ATM first in Bangladesh. They took all the risks of providing anew system to the customers, rearranged their organization structure to accommodate a new department, and then ventured into the market. The others banks followed suit after they saw that it was a profitable venture .In this way a high intensity competition leads to a high growth rate in the industry.

## **2.2 Threats of new entry:**

For every industry is always a threat of new entry. This is an important aspect of analyzed the industrial environment. Similarly, the banking industry is not out of the threat of new entry.

The new private banks that will emerge in the future and the foreign multinational banks that are planning to operate in Bangladesh are posing as threats to the existing banks. As

mentioned earlier, the energy sector of Bangladesh is attracting foreign banks to invest in the country and this in turn is making the existing banks feel-threatened of new entrants to the industry.

### **2.3 High Strategic Risks:**

High strategic stakes is an important factor that determines the industry of rivalry among the competitors. If a new bank introduces a new line of service, it has to recognize the organization structures, policies and procedures. At the same time other competitors would sit idle and they would also develop similar service strategic risks for the innovative company.

### **2.4 Bargaining power of the customer**

Since there are a lot of banks providing their services to customers, the customers have the choice to choose from the options. Therefore, the customers have the bargaining power and they will obviously select the bank that will provide them with the best service. As a result, the banks themselves have to pursue the customers to come to their banks.



## **Chapter 3**

# **ORGANIZATIONAL PROFILE**



### **3.1 Company Profile of Southeast Bank Limited:**

Southeast Bank Limited is a scheduled Bank under private sector established under The ambit of bank Company Act, 1991 and incorporated as a public Limited Company under Companies Act, 1994 on March 12, 1995. The Bank started commercial Banking operations effective from May 25, 1995. During this short span of time the Bank had been successful to position itself as a progressive and dynamic financial Institution in the country. The Bank had been widely acclaimed by the business Community, from small entrepreneurs to large traders and industrial conglomerates, including the top rated corporate borrowers for forward-booking business outlook and Innovative financing solution. Thus within this very short period of time it has been able to create an image for itself and has earned significant reputation in the country's banking sector as a bank with vision. Presently it has thirty seven branches in operation.

Southeast Bank is one of the few banks permitted by the Bangladesh Bank in the early 90s, the other banks permitted earlier were Dutch-Bangla Bank, Al-Arafah Islamic Bank, Prime Bank, Dhaka Bank, Eastern Bank. These banks are known as the second generation banks and fortunate to remain immune from the bad loan culture. However, the performance of these banks are not the same, the Southeast Bank Limited remained as one of the top performers among them. Its performance also has been reflected in its good loan.

Southeast Bank Limited has been licensed by the Government of Bangladesh as a scheduled bank in the private sector in pursuance of the policy of liberalization of banking and financial services and facilities in Bangladesh. In view of above, the bank within a period of 6 years of its operation achieved a remarkable success and met up capital adequity of Bangladesh Bank.

It is growing faster as one of the new generation banks in the private sector in respect of business and profitability as it is evident from the financial statements of the last 4 years.

### 3.2 Special Features of the Bank

- a) It has been performing conventional commercial banking activity and at the same time putting extraordinary effort to launch new IT based products and service delivery conduits and trying to familiarize Islamic Banking functions to the masses.
- b) It is the pioneer in introducing and launching different customer friendly deposit Schemes to tap the savings of the people for channeling the same to the productive sectors of the economy.
- c) For uplifting the standard of living of the limited income group of the population, the bank has introduced Consumer Credit Schemes by providing financial assistance in the form of loans to the consumers for procuring household durables, which have had encouraging responses.
- d) The Bank is committed to continuous research and development activities so as to keep pace with modern banking.
- e) The operation of the Bank are fully computerized so as to ensure quick, prompt Flawless and service to the customers.
- f) Bank has introduced Camera Monitoring System (CCTV) to strengthen the Security services inside the Bank premises.

### **3.3 SEBL's Vision, Missions and Commitment to Clients**

After doubling itself in size and soundness between May 1995 and December 2006 Southeast Bank Limited has been consolidating its position and preparing itself for the new millennium by upgrading technology, training its work force, restructuring organizationally and creating a new work culture.

#### **SEBL's Vision**

To be a premier banking institution in Bangladesh and contribute significantly to the national economy.

#### **SEBL's Missions**

- ◆ High quality financial service.
- ◆ Fast customer service.
- ◆ Sustainable growth strategy.
- ◆ Follow ethical standards in business.
- ◆ Steady return on shareholders' equity.
- ◆ Innovative banking at a competitive price.
- ◆ Attract and retain quality human resource.
- ◆ Commitment to Corporate Social Responsibility.

#### **SEBL's Commitments to Clients**

SEBL is a customer focused modern banking institution in Bangladesh. SEBL deliver unparalleled financial services to Retail, Small and Medium Scale Enterprises (SMEs), Corporate, Institution, Government and Individual Clients through branch outlets across the country. Our business initiatives center on the emerging needs of the market. Our commitments to the clients are the following:



- provide service with high degree of professionalism and use of modern technology.
- Create long term relationship based on mutual trust.
- Respond to customer needs with speed and accuracy.
- Share their Values and beliefs.
- Growth as our Customers grow.
- Provide products and services at competitive pricing.
- Ensure Safety and Security of customers' valuables in trust with SEBL's.



## 3.5 Product Mix of SEBL

**3.5.1 Deposit Schemes:** Besides Fixed Deposits, Savings Deposits and Current Account Deposits, the bank has introduced the following customer friendly deposit schemes:

- a) Pension Savings Scheme (PSS)
- b) Education Savings Scheme (ESS)
- c) Marriage Savings Scheme (MSS)
- d) Monthly Savings Scheme (MSS)
- e) Double Benefit Scheme (DBS)
- f) Monthly Income Scheme (MIS)
- g) Wage Earner Pension Saving Scheme (WEPSS)
- h) Savers Benefit Deposit Scheme (SBDS)

## 3.5.2 Loan Schemes

- a) General Loan Scheme.
- b) Consumer Credit Scheme.
- c) House Building Loan / Apartment Loan Scheme
- d) Advance against Share
- e) Loans against Imports
- f) Post import Finance
- g) Export Credit
- h) Loan Syndication
- i) Project Financing

### 3.6 Business Activities:

Southeast Bank Limited Has been achieving a continuous growth rate in all the areas of operations during the year 2006 and earned a pre-tax profit of **TK, 1,638.00** million registering an annual growth of **78.78%** over than of the previous year 2005. The achievements were possible because of the service excellence of our management team with support from a very resourceful and skilled workforce who are rendering efficient and specialized services.

### 3.7 Capital:

The authorized Capital of the Bank has increased in **TK, 3,500.00** million as on December 31, 2006. The issued and Paid-up Capital stood at **TK.2, 112.74** million as on December 31, 2006.

### 3.8 Reserve Fund and other Reserves:

The Bank raised its reserve from **TK.1, 181.47** million to **TK. 2,828.18** million during the year 2006 which is quite significant compared to the position of the previous year.

### 3.9 Capital adequacy Ratio:

The Bank maintains a secured capital adequacy ratio, which is **11.50%** of the Risk Weighted Assets as of December 31, 2006 as against the requirement of **9%** set by the Bangladesh Bank.

### 3.10 Deposits:

The accumulated total deposit of the Bank was **TK.46, 056.18** million as on December 31, 2006 as against **TK.38, 258** million as on December 31, 2005 registering of an increase of **20.38%**. The present strategy is to increase the deposit base through maintaining competitive Interest rates and having low cost of funds that would ensure a better spread with a moderate lending rate.

### 3.11 Treasury Operations:

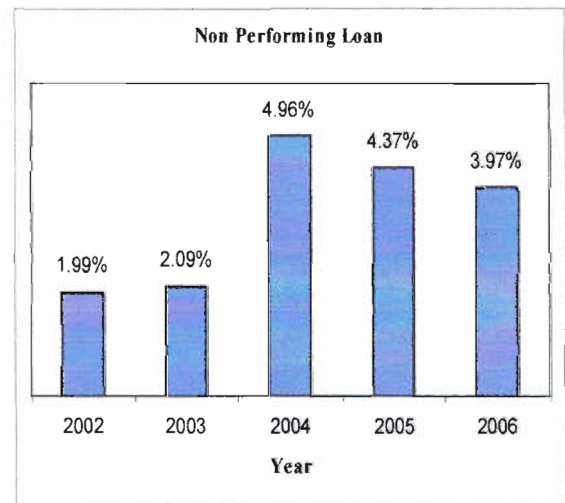
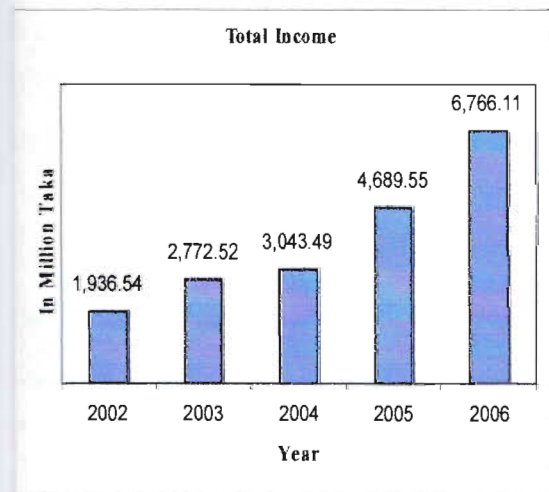
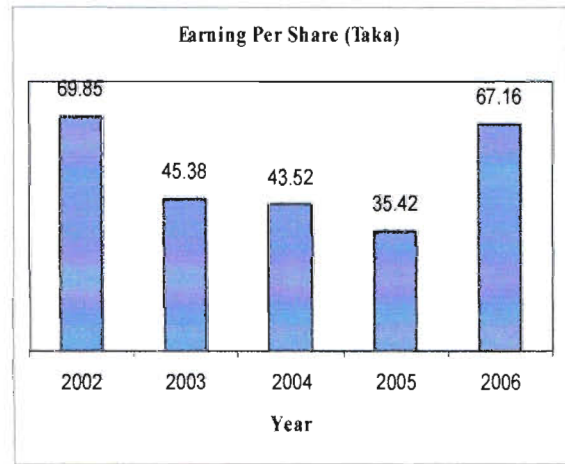
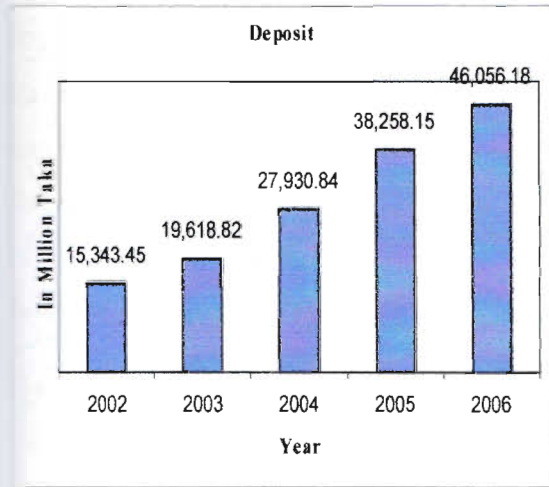
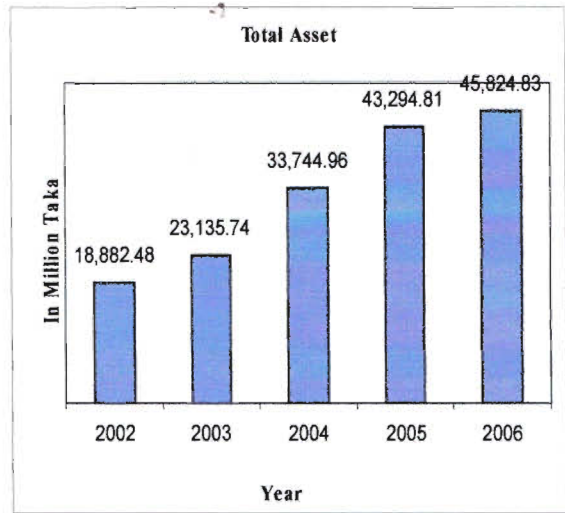
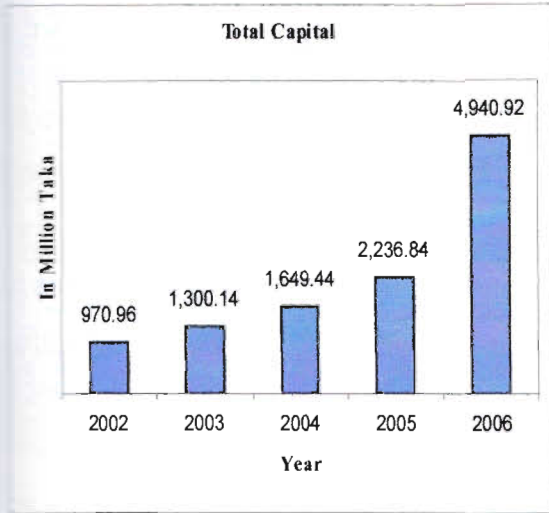
The dealings of the Bank since its initiation developed considerably both in local and foreign currency. With automated Reuters Terminal the Bank had been able to develop its infrastructural abilities for treasury dealings more adequately for meeting the demand of customers.

### 3.12 FINANCIAL HIGHLIGHTS

In Million TK

Particular		Y-2002	Y-2003	Y-2004	Y-2005	Y-2006
Authorized Capital		2,500.00	2,500.00	2,500.00	2,500.00	3,500.00
Paid up Capital		399.30	677.16	880.31	1,056.37	2,112.74
Reserve Fund /Others		571.66	622.98	769.13	1,180.47	2,828.18
Total Capital (Tier-I + Tier-II)		970.96	1,300.14	1,649.44	2,236.84	4,940.92
Deposit		15,343.45	19,618.82	27,930.84	38,258.15	46,056.18
Advance		13,027.13	15,541.50	22,001.70	32,551.09	41,147.28
Investment		2,282.08	2,581.61	3,190.15	5,113.14	6,265.55
Import Business		12,817.01	16,270.80	20,229.62	29,079.30	35,125.12
Export Business		2,263.45	3,033.79	6,761.93	13,511.10	25,874.61
Guarantee Business		2,502.48	3,391.19	4,717.82	7,975.00	8,656.80
Total Income		1,936.54	2,772.52	3,043.49	4,689.55	6,766.11
Total Expenditure		1,443.98	2,107.36	2,234.83	3,216.11	4,703.45
Operating Profit		492.56	665.16	808.66	1,473.44	2,062.66
Net Profit After Tax & Provision		253.56	256.06	294.69	374.20	909.88
Fixed Asset		48.81	288.02	313.73	790.62	1,300.39
Total Asset		18,882.48	23,135.74	33,744.96	43,294.81	45,824.83
Earning Per Share		69.85	45.38	43.52	35.42	67.16
Dividend	Cash	20%	20%			20%
	Stock	10%	20%	30%	20%	8%
Return On Equity		26.11%	19.69%	17.87%	17.64%	19.62%
Return on Asset		1.34%	1.11%	1%	0.86%	1.66%
Non performing Loan		1.99%	2.09%	4.96%	4.37%	3.97%
Capital adequacy Ratio		8.23%	9.20%	7.83%	6.90%	11.50%
No. Of Correspondent Bank		45	80	122	130	138
No. Foreign Correspondents		295	350	463	507	536
No. Of Share-holders		1666	2912	4704	5750	8855
No. of Employees	Banking	488	586	685	759	845
	Non Banking	107	115	150	154	153
No. of Branches		19	23	27	31	31

**GRAPHICAL VIEWS OF SOME KEY FACTORS BASED ON HIGHLIGHTS:**





### 3.12 Operating results:

The Bank turned in satisfactory performers in its operation and the operating profit of the Bank increase to **TK.2,062.66** million in 2006 compared to **TK.1,473.44** million in the year 2005 indicating an impressive growth of **39.98%**. The Bank declared **20%** cash dividend, bonus share **8%** (One bonus share against 8 share held). The Bank also approved the issuance of Right Share **1.1** (One share for every one share).

The year 2007 encountered a couple of sever geo-political and economic distortions that created the adverse trend in the major financial markets and notable depreciation in the portfolio investment and wealth earning. Despite the reality, the prudent policy of the Bank in valuing loans and equity investments through the assistance of a well-committed management and skilled work-force helped them in obtaining their profit margin which hoped them in obtaining their profit margin which hopefully will continue to improve their position in future.

### 3.13 Loans and Advances:

The amount of total loan and advances of the Bank was **TK.41,147.28** million as on, December 31, 2006 against **TK. 32,551.09** million in the previous year showing an increase of **26.41%**. Effective systems have been implemented to improve the recovery rate for the given loans I and convert the non-performing assets into productive ones. SEBL gave importance to acquiring quality assets and performing appropriate lending analysis for commercial and trade loans.

### 3.14 Import and Export Business:

The foreign exchange business of the Bank marked an increase from that of the corresponding period. The import and export business during the year 2006 reached **TK.35,125.12** million and **TK-25,874.61** million respectively against **TK-29,079.30** million and **TK.13,511.10** million of the previous year. The growth in import business

was 20.79%, while that for export was 91.51%. The business position would have earned more revenue, but the recent debacle in the geo-political area and our own macro-economic instability has slowed the growth of trade, export volume and foreign exchange reserve.

### **3.15 Guarantee Business:**

The Bank issued total guarantees amounting to TK.8656.80 million during the year compared to TK.7975.00 million recorded in the previous year marking an Increase of 8.55%.

### **3.16 Investment:**

The size of the investment portfolio in the year 2006 was TK. 6265.55 million against on the Bank to business community world-wide,

### **3.17 Branch Expansion:**

Southeast Bank Limited has a total of 37 Branches excluding Head Office. During the year 2007 it has opened Shyamoli and Kakrail branch in Dhaka and Joypara branch in Dohar and the Bank has a plan to open, around 4 branches in different parts of the country.

### **3.18 SWIFT:**

The Bank has become the member of alliance access, a multi branch secure financial messaging system provided by the Society for Worldwide Inter-bank Financial telecommunication (SWIFT), Belgium. With the activation of the SWIFT system the Bank enjoys instant, low-cost speedy and reliable connectivity for L/C transaction, fund transfers, message communication and others worldwide financial activities.

### 3.19 Foreign Correspondents

-1

The Bank is maintaining foreign corresponding Relationship, facilitating the bank to meet transactions requirements to be incorporated with global business developments. The number of Foreign Correspondents and agents of the Bank in **2006** was **536** with **138 banks** covering the major financial institution and business centers of the world.

### 3.20 Automation

The regular operations and transactions of Southeast Bank Limited are fully automated and all the activities of trade and operations are being done by automation tools such as ATM and SWIFT. SEBL is gradually down scaling the applications of Telex and converting that to SWIFT for more effective communication. SEBL is a member of a shared ATM network provided by Electronic Transaction Network Limited (ETN) and having more than **twenty** ATMs available throughout the country. In order to provide round the clock and current information Central Accounts Division does all the A/Cs related activities. All the branches send their monthly and daily statements to the Head Office. The bank uses PC Bank 2000 for their electronic data management system.

### 3.21 Branch Network

Southeast Bank Limited has a predominately network of its Nineteen branches, which are tightly bound with other are displayed below.

#### 3.21.1 Dhaka

- Principal Branch
- Gulshan Branch

- Dhanmondi Branch
- Uttara Branch
- Bangshal Branch
- Imamgonj Branch
- Kawran Bazar Branch
- New Eskaton Branch
- New Elephant Road Branch
- Agargaon Branch

### **3.21.2 Chittagong**

- Agrabad Branch
- Khatungonj Branch
- Jubilee Road Branch
- Haliashahar Branch

### **3.21.3 Sylhet**

- Laldighirpar Branch
- Moulavibazar Branch
- Coushatta Branch
- Shahjalal Upashahar Branch

### **3.21.4 Khulna**

- Khulna Branch

### 3.22 ATM Service

The bank has joined the shared ATM network Bangladesh, provide by Electronic Transaction Network Limited (ETN) – a joint venture with united group of Bangladesh and IFS International,USA.Polls of seven banks have joint the network. Under this system any customer of any member bank has access to any ATMs situates at different locations of Dhaka City.Initiality 12 ATMs have been installed in Dhaka City. The network will gradually be extended to other cities of the country. It is expected that about that about 500 ATMs will be installed by the next few years under this network.

### 3.23 Division of Bank

- Administration Division: The division controls all the administrative activities of the bank.
- General Banking Division Activities regarding general banking are cash affairs, opening new branches, customer service and legal affairs.
- Audit and Inspection Division: The rile of this division is to conduct extensive visit to various branches and check and observe their performances and take notes on the issues, which they think are not fit to the originality.
- Credit Division: Various types of loans and advances are initiated, following up and recovered through this division.

#### Name of Different Divisions:

- Board Division
- Merchant Banking Wing
- Financial Control and Accounts Division



- Human Resources Division
- Logistic & GSD
- Internal Control and Compliance Division
- Credit Division
- Islamic Banking Wing
- Credit Administration Department
- R & D and Training Institute
- International Division
- Treasury Operation
- Marketing Division
- Information Division
- Information Technology Division
- Card Division

## Chapter 4:

# General Banking



## **4. General Banking:**

General banking is the starting point of all the banking operations. It is the department, which provides day-to-day services to the customers. Everyday it receives deposits from the customers and meets their demand for cash by honoring cheques. It opens new accounts, remit funds, issues bank draft and pay orders etc. Since bank is confined to provide the services everyday, general banking is also known as “retail banking”.

### **4.1 Functions of this department:**

- Cash section
- Accounts opening section
- Cheque clearing section
- Remittance section
- FDR section

### **4.2 Account opening:**

This section opens accounts. Selection of customer is very important for the bank because bank’s success and failure largely depends on their customers.

#### **4.2.1 Accounts opening process:**

1. Receiving filled up application in bank’s prescribed form mentioning what type of account is desired to be opened.
2. The form is filled up by the applicant himself / herself.
3. Two copies of passport size photographs from individual are taken.
4. Applicants must submit require documents.
5. Application must sign specimen signature sheet.
6. Introducer’s signature and accounts number- verified by legal officer.

7. Authorized Officer accepts the application.
8. Minimum balance is deposited-only cash is accepted.
9. Account is opened and a Cheque book and pay-in-slip is given.

#### **4.2.2 CD Account (Current Deposit Account):**

##### **General Characteristics:**

- CD accounts are unproductive in nature as banks loanable fund is concerned. Sufficient fund has to be kept in liquid form, as current deposit are demand liability.
- Thus huge portion of this fund become non-performing. For this reason banks do not pay any interest to CD Account holders.
- There is no restriction on the number and the amount of withdrawals from a current account.
- Service charges are recovered from the depositors since the bank make payments and collect the bills, drafts, cheques, for any number of times daily.
- Businessmen and companies are the main customers of this product.
- The Banks grant the loans and advances through current accounts.
- In practice of Southeast Bank, a minimum balance of Tk. 10000 has to be maintained.

#### **4.2.3 SD Account (Savings Deposit Account) :**

##### **General Characteristics:**

- Interest is paid on this account.
- Any time account holders may draw money of any amount without prior notice.
- Generally householders, individuals and other small-scale savers are the clients of this accounts.
- Minimum balance of Tk. 3000 is to be maintained.
- Interest will be counted on the average balance of a month.

### **4.3 FDR Section:**

This branch maintains a separate section for maintaining Fixed Deposit .FDR is an important factor for the bank and volume of FDR determines the investment base of the bank . Basically this is the mobilization unit of the bank . This section deals with the customers of Short Term Deposit (STD), Term Deposit (TD) Account.

#### **4.3.1 Short Term Deposit Account (STD):**

##### **General Characteristics:**

1. Customers deposit money for a shorter period of time.
2. STD account can be treated as semi-term deposit.
3. STD should be kept for at least 7 days to get interest.
4. The interest offered for STD is less than that of savings deposit.
5. Volume of STD account is generally high.

#### **4.3.2 Term Deposit (TD):**

##### **General Characteristics:**

1. It is known as Fixed Deposit Receipt (FDR).
2. Term deposit is made with the bank for a fixed period of time.
3. The bank need not maintain cash reserves against this deposit.
4. The bank offers high rate of interest on such deposit.

#### **4.3.3 Opening of FDR:**

1. The depositor has to fill an application form.
2. The banker also takes the specimen signatures of the depositors.
3. Necessary entries are given on the FDR register.



#### **4.3.4 Premature Encashment of FDR:**

1. In case of premature FDR, Southeast Bank is not bound to accept surrender of the deposit before its maturity date.
2. The interest on such a fixed Deposit is made cut a certain percentage less than the agreed rate. Normally, SB rate is allowed.

#### **4.3.5 Loss of FDR:**

1. If the instrument is lost from the possession of the holder, the holder is asked to fulfill the following requirements:
2. Party should inform it to the bank immediately.
3. Record a GD in the nearest Police Station.
4. On fulfilling the above requirements a duplicate FDR is then issued to the customer by the bank.

#### **4.3.6 Renewal of FDR:**

- a. FDR is automatically renewed within seven days after its maturity if the holder does not come to encash the instrument.
- b. Renewal will be for the previously agreed maturity period.

#### **4.3.7 Liquidation of FDR:**

1. Only the account holder himself and the authorized person can liquid the FDR after maturity.
2. In case of joint name, authentication from both is necessary.
3. In case of 'either or Survivor' clause-any one can liquid.
4. In case of death, the survivor can not encash the FDR even if there exist the either or survivor clause-succession certificate from the court is needed.
5. If demanded before the maturity the last expired duration is considered to pay interest.

FDR Section provides another service on behalf of the government. These services-the bank issues and encash the following two government securities:

1. Five years Bangladesh Sanchay Petra.
2. Three years Sanchay Petra.

#### **4.4 General Practice of Southeast Bank for all types of accounts:**

##### **4.4.1 Chequebook:**

- a. To facilitate withdrawals and payment to third parties by the customer, Southeast Bank provides cheque book to the customer.
- b. CD account cheque book contains 25, 50 & 100 leaves, while SB account cheque book has 10, 25, & 50 leaves. Bank maintains a separate register in this regard.
- c. Requisition slip is provided to the customer in cheque book to issue new cheque book.
- d. A new cheque book should be delivered only to the account holder. Otherwise authorization letter is needed from client for delivery to other person.

##### **4.4.2 When Cheque book is lost:**

A guarantee form is taken from the account holder when his book is lost, where he identifies the bank in this regard. A new requisition slip is given for a new cheque book. Only a very senior officer will approve the case.

##### **4.4.3 Compounding of Interest:**

- a. In Southeast Bank, interest-compounding period varies with products.
- b. Interest on term deposit i.e. FDR is compounded at its maturity period. Such as 3 monthly, 6 monthly, yearly etc.
- c. Interest on savings bank (SB) deposit is compounded six monthly.
- d. Interest on STD accounts is compounded yearly.

#### 4.4.4 Closing of an A/C:

The closing of an account may happen-

- a. if the customer is desirous to close the account
- b. if Southeast Bank finds that the account is inoperative for a long duration.
- c. If Garnishee Order is issued by the court on Southeast Bank

To close the account, the cheque book is to be returned to the bank. Southeast Bank takes all the charges by debiting the account and the remaining balance is then paid to the customer. Necessary entries are given to the account closing register and computer.

#### 4.5 Remittance:

In banking language money transmitted domestically are known as local remittance. For local remittance purpose Southeast Bank purchases and sells some instruments for its customers. The instruments are Pay Order (PO), Demand Draft (DD), Telegraphic Transfer (TT), and Mail Transfer (MT).

#### 4.6 Pay Order:

Pay Order is an instrument which is used to remit money within a city through banking channel the instrument is generally safe as most of them are crossed:

##### 4.6.1 The Procedure for selling Pay Order is as follows:

- a. Purchaser must be an A/c holder of Southeast Bank.
- b. Deposit money with Pay Order application form.
- c. Give necessary entry in the Bills Payable (PO) register.
- d. Payees name date PO No. etc.
- e. Prepare the instrument.
- f. After it has been scrutinized & approved by higher authority, the instrument is delivered to customer. Signature of customer is taken in the counterpart.

#### **4.6.2 When PO is lost:**

In case the instrument is lost, the holder whether payee or buyer will inform it to the issuing bank immediately. Bank will mark stop payment on the bills payable registry. Buyer will then ask for a new instrument by submitting a GD copy and indemnity bond of Tk. 50.

#### **4.7 Clearing:**

Function in the clearing house:

1. The clearing house is an assembly of the locally operating scheduled banks for exchange of cheques, drafts and other demand instruments drawn on each other and received from their respective customers for collection.
2. The house meets at the appointed hour on all working days under the chairmanship of the central bank.
3. The clearing house sits twice in a working day.
4. The members submit the claimable cheques in the respective desks of the banks and vice versa.
5. At the end, the debit summation and the credit summation are calculated. Then the banks clear the balance through the cheque of Bangladesh Bank.
6. The dishonored cheques are sorted and returned with return memo.

#### **4.8 Cash Section:**

Cash department is the most vital and sensitive organ of the branch as it deals with all kinds of cash transactions. This department starts the day with cash in vault.

##### **4.8.1 Vault:**

All cash, instruments (PO, DD, and Cheque) and other valuables are kept in the vault. There are three keys of the vault which are given to three senior most officers. Daily, an estimated amount of cash is brought from the vault for transaction purpose.

## 4.8.2 Functions of Cash Department:

### Cash Payment:

1. Cash Payment is made only against cheque.
2. This is the unique function of the banking system which is known as payment on demand.
3. It makes payment only against its printed valid cheque.

### Cash Receipt:

1. It receives deposit from the depositors in form of cash.
2. It collects money only its receipts forms.

## 4.8 3 Books Maintained by this Section:

1. Vault register
2. Cash receipt register
3. Cash payment register
4. Rough volt register
5. Cash Balance Book.



## Chapter 5

# Credit Department



## **5.1 Introduction:**

Contemporary banking organizations are exposed to a diverse set of market and non-market risks, and the management of risk has accordingly become a core function within banks. Banks have invested in risk management for the good economic reason that their shareholders and creditors demand it. But bank supervisors, such as the Bangladesh Bank, also have an obvious interest in promoting strong risk management at banking organizations because a safe and sound banking system is critical to economic growth and to the stability of financial markets. Indeed, identifying, assessing, and promoting sound risk management practices have become central elements of good supervisory practice.

### **5.1.1 What is credit?**

In banking terminology, credit refers to the loans and advances made by the bank to its customers or borrowers. Bank credit is a credit by which a person who has given the required security to a bank has liberty to draw to a certain extent agreed upon. It is an arrangement for deferred payment of a loan or purchase.

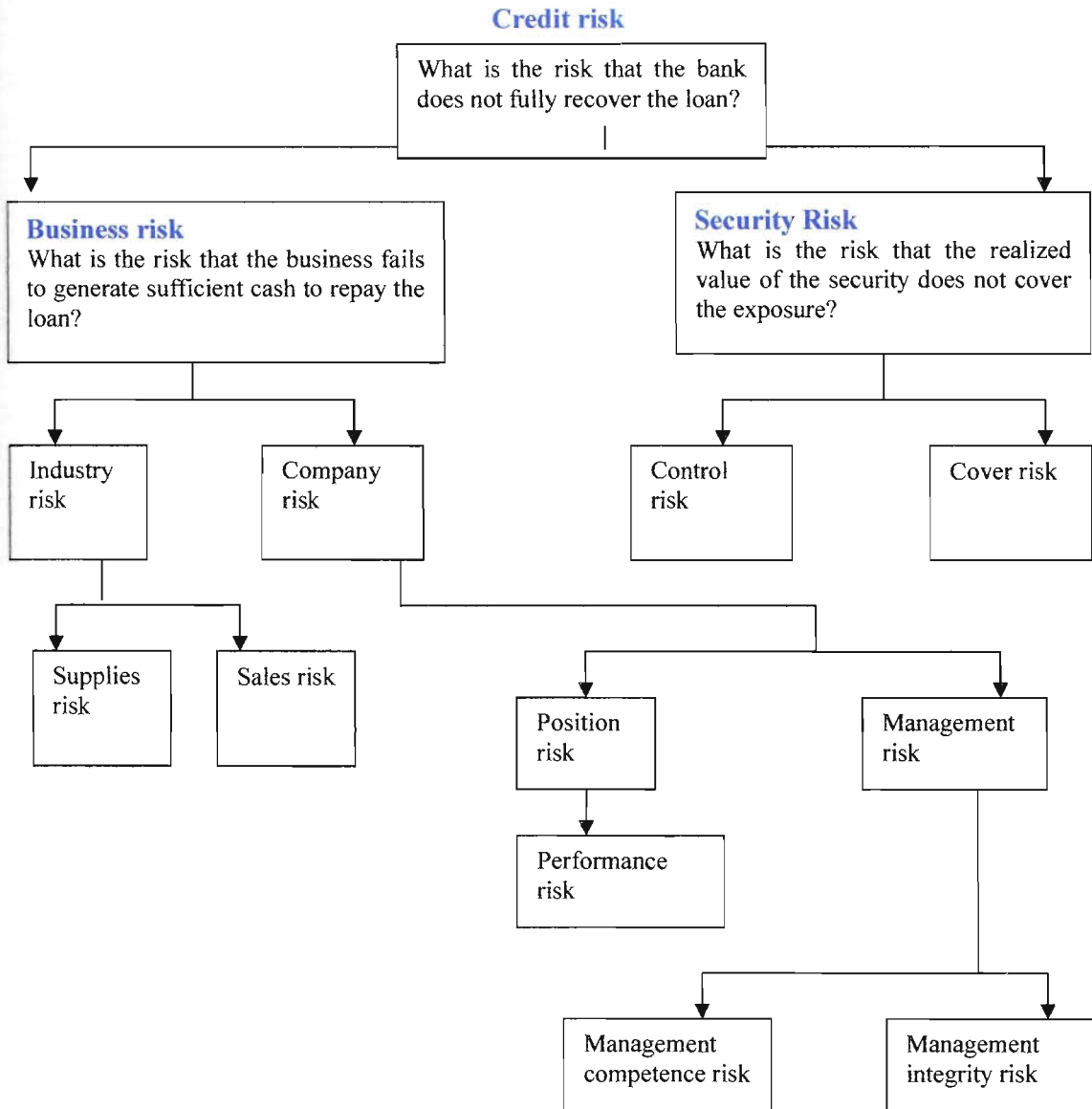
Credit means a provision of, or commitment to provide, funds or substitutes for funds, to a borrower, including off-balance sheet transactions, customers' lines of credit, overdrafts, bills purchased and discounted, and finance leases. (Guideline on credit risk management, Bank of Mauritius)

### **5.1.2 What is credit risk?**

Credit risk means the risk of credit loss that result from the failure of a borrower to honor the borrower's credit obligation to the financial institution based on guideline on credit risk management. Credit risk is most simply defined as the potential that a bank borrower or counterparty will fail to meet its obligations in accordance with agreed terms.

The constituent elements of credit risk can be viewed from the following flowchart:

Figure 4.1: Flowchart of credit risk



Source: Chowdhury, L.R., (2002), *A Text Book on Banker's Advances*, 2<sup>nd</sup> edition

### 5.1.3 What is credit risk management?

Risk management contains

- Identification,
- Measurement,
- Aggregation,
- Planning and management,

as well as monitoring of the risks arising in a bank's overall business. (Guidelines on credit risk management, 2005, Oesterreichische Nationalbank)

Risk management is thus a continuous process to increase transparency and to manage risks.

### 5.1.4 Risk Strategy:

A successful, bank-wide risk management requires the definition of a risk strategy which is derived from the bank's business policy and its risk-bearing capacity. Risk strategy is defined as

- the definition of a general framework such as principles to be followed in dealing with risks and the design of processes as well as technical-organizational structures; and
- The definition of operational indicators such as core business, risk targets, and limits.

The risk strategy in an operational sense should be prepared at least every year, with risk management and sales cooperating by balancing risk and sales strategies. The sales units contribute their perspective concerning market requirements and the possible implementation of the risk strategy. The proposal for a risk strategy thus worked out will be presented to the executive board, and following their approval, passed on to the supervisory board for their information. The risk strategy serves to establish an operational link between business orientation and risk-bearing capacity. It contains operational indicators which guide business decisions. (Credit Approval Process and Credit Risk Management, 2005, Oesterreichische National bank)

### **5.1.5 Credit Processing/Appraisal:**

The appraisal criteria will focus on:

- amount and purpose of facilities and sources of repayment;
- integrity and reputation of the applicant as well as his legal capacity to assume the credit obligation;
- risk profile of the borrower and the sensitivity of the applicable industry sector to economic fluctuations;
- performance of the borrower in any credit previously granted by the financial institution, and other institutions, in which case a credit report should be sought from them;
- the borrower's capacity to repay based on his business plan, if relevant, and projected cash flows using different scenarios;
- cumulative exposure of the borrower to different institutions;
- physical inspection of the borrower's business premises as well as the facility that is the subject of the proposed financing;
- borrower's business expertise;
- adequacy and enforceability of collateral or guarantees, taking into account the existence of any previous charges of other institutions on the collateral;
- current and forecast operating environment of the borrower;
- background information on shareholders, directors and beneficial owners for corporate customers; and
- management capacity of corporate customers (L.R.Chowdhury,2004)

### **5.1.6 Credit-approval/Sanction:**

A financial institution must have in place written guidelines on the credit approval process and the approval authorities of individuals or committees as well as the basis of those decisions. Approval authorities should be sanctioned by the board of directors. Approval authorities will cover new credit approvals, renewals of existing credits, and changes in terms and conditions of previously approved credits, particularly credit

restructuring, all of which should be fully documented and recorded. Prudent credit practice requires that persons empowered with the credit approval authority should not also have the customer relationship responsibility.

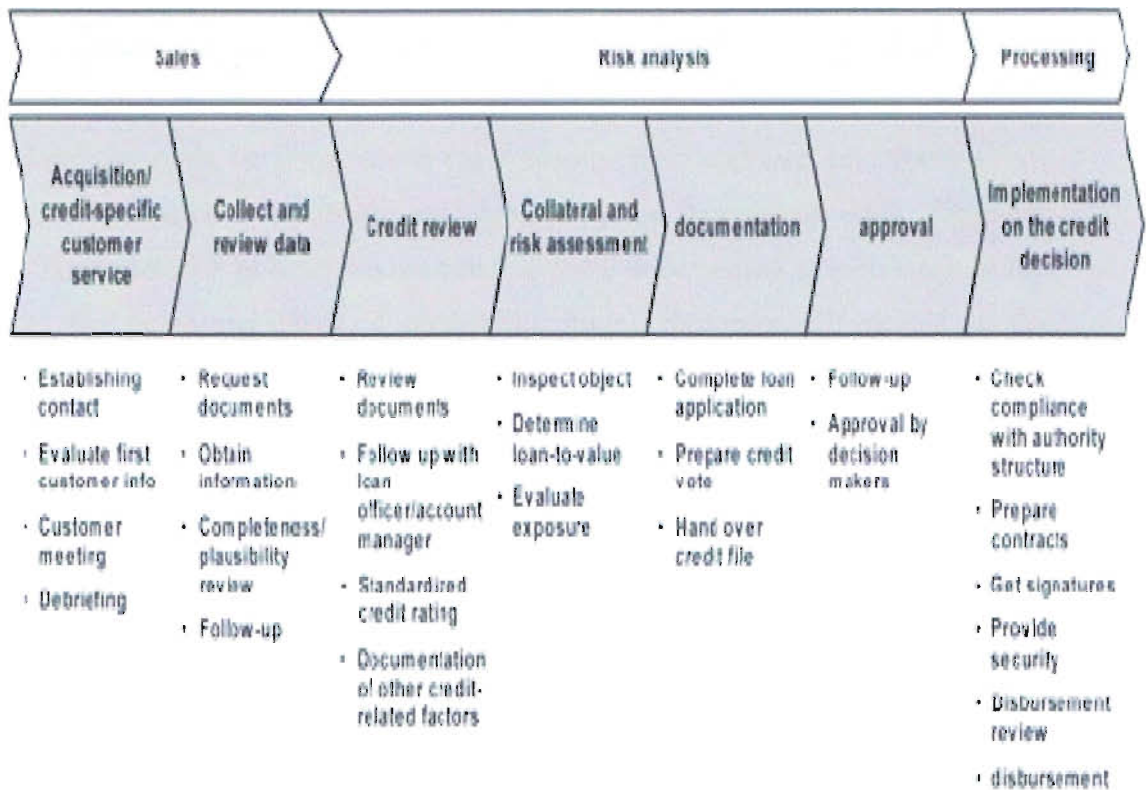
Approval authorities of individuals should be commensurate to their positions within management ranks as well as their expertise. Depending on the nature and size of credit, it would be prudent to require approval of two officers on a credit application, in accordance with the Board's policy. The approval process should be based on a system of checks and balances. Some approval authorities will be reserved for the credit committee in view of the size and complexity of the credit transaction.

Depending on the size of the financial institution, it should develop a corps of credit risk specialists who have high level expertise and experience and demonstrated judgment in assessing, approving and managing credit risk. An accountability regime should be established for the decision-making process, accompanied by a clear audit trail of decisions taken, with proper identification of individuals/committees involved. All this must be properly documented.



# The Credit Approval Process Is Subdivided into a Large Number of Individual Process Steps

## Conceptual presentation individual process



Source: (Credit Approval Process and Credit Risk Management, 2005. Oesterreichische National bank)

Figure 4.2: Credit Approval Process

### 5.1.7 Credit Documentation:

Documentation is an essential part of the credit process and is required for each phase of the credit cycle, including credit application, credit analysis, credit approval, credit

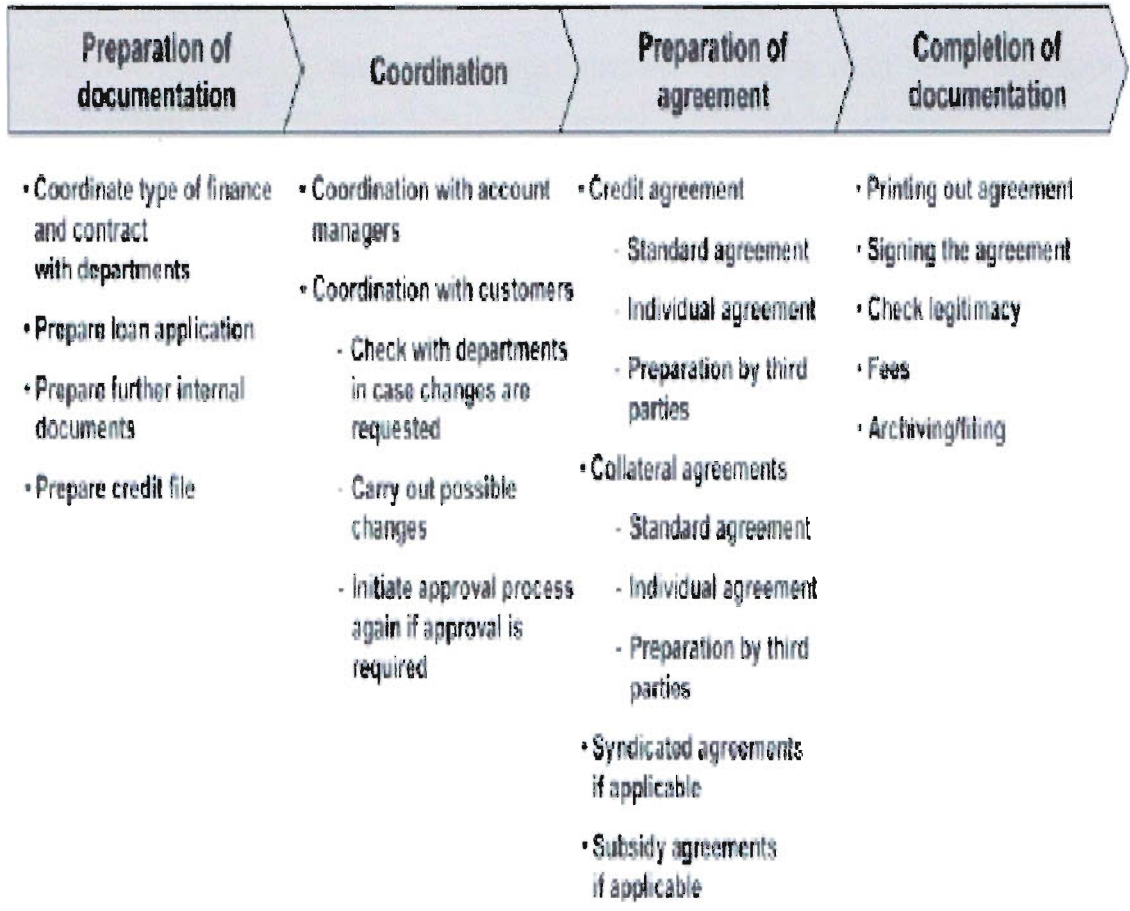
monitoring, collateral valuation, impairment recognition, foreclosure of impaired loan and realization of security. The format of credit files must be standardized and files neatly maintained with an appropriate system of cross-indexing to facilitate review and follow up. The Bangladesh Bank will pay particular attention to the quality of files and the systems in place for their maintenance. Documentation establishes the relationship between the financial institution and the borrower and forms the basis for any legal action in a court of law. Institutions must ensure that contractual agreements with their borrowers are vetted by their legal advisers (L.R.Chowdhury, 2004).

Credit applications must be documented regardless of their approval or rejection. All documentation should be available for examination by the Bangladesh Bank. Financial institutions must establish policies on information to be documented at each stage of the credit cycle. The depth and detail of information from a customer will depend on the nature of the facility and his prior performance with the institution. A separate credit file should be maintained for each customer. If a subsidiary file is created, it should be properly cross-indexed to the main credit file (L.R.Chowdhury, 2004).

Financial institutions should maintain a checklist that can show that all their policies and procedures ranging from receiving the credit application to the disbursement of funds have been complied with. The checklist should also include the identity of individual(s) and/or committee(s) involved in the decision-making process.

# Documentation Comprises Preparation and Conclusion of Credit Agreements

Overview of core content of the documentation process



**Documentation is followed by transfer of collateral and loan disbursement**

Source: (Credit Approval Process and Credit Risk Management, 2005, Oesterreichische National bank)

Figure 4.3: Credit documentation

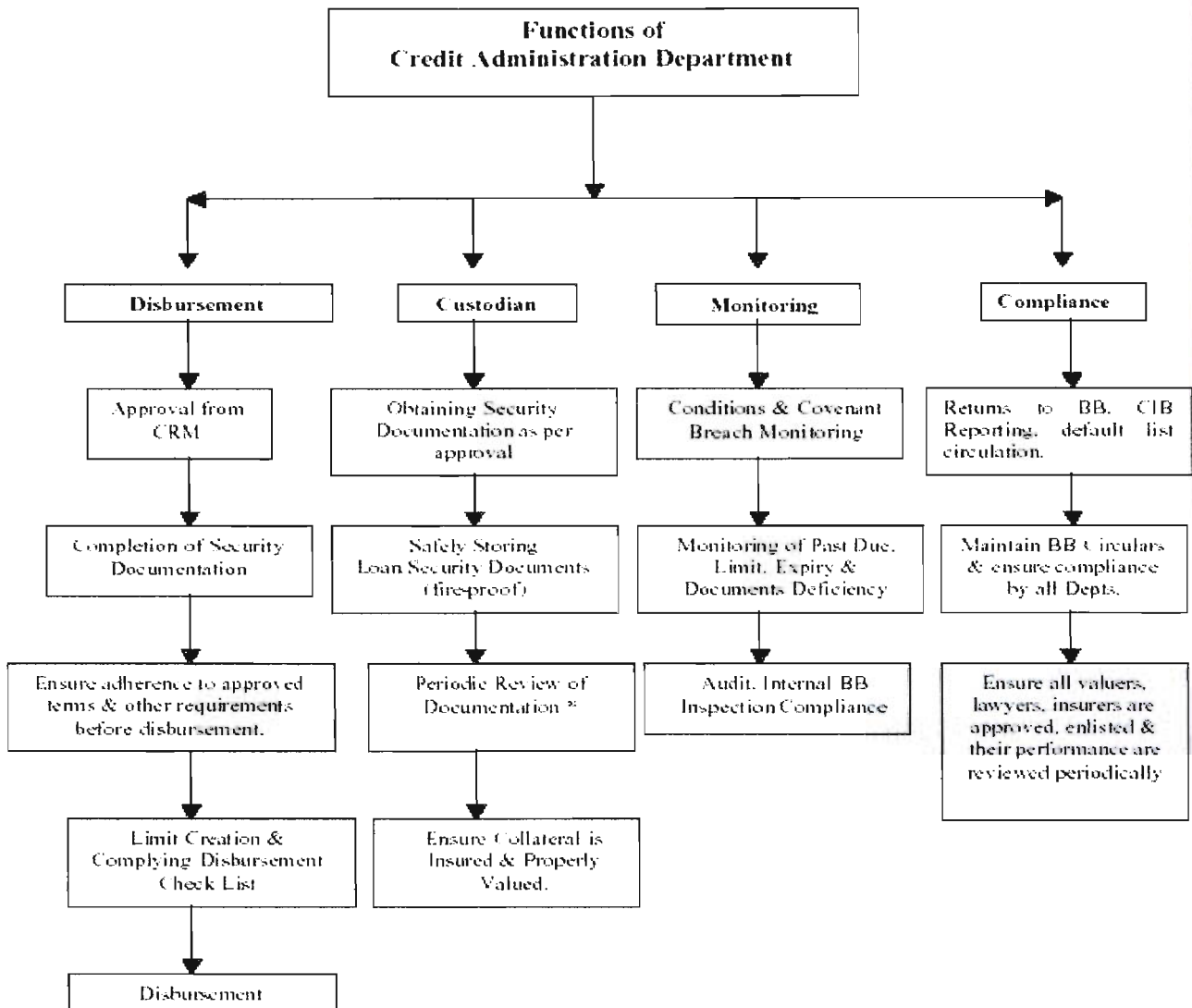
### 5.1.8 Credit Administration:

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A financial institution's credit administration function should, as a minimum, ensure that:

- credit files are neatly organized, cross-indexed, and their removal from the premises is not permitted;
- the borrower has registered the required insurance policy in favor of the bank and is regularly paying the premiums;
- the borrower is making timely repayments of lease rents in respect of charged leasehold properties;
- credit facilities are disbursed only after all the contractual terms and conditions have been met and all the required documents have been received;
- collateral value is regularly monitored;
- the borrower is making timely repayments on interest, principal and any agreed to fees and commissions;
- information provided to management is both accurate and timely;
- responsibilities within the financial institution are adequately segregated;
- funds disbursed under the credit agreement are, in fact, used for the purpose for which they were granted;
- “back office” operations are properly controlled;
- the established policies and procedures as well as relevant laws and regulations are complied with; and
- On-site inspection visits of the borrower's business are regularly conducted and assessments documented (L.R.Chowdhury, 2004).

Figure 4.4 : Functions of credit administration department



\* Periodically Means:

Risk Grade	Review Frequency
7-6	Quarterly
4-5	Semi-Annual
1-3	Annually

(Credit Risk Management: Industry Best Practices 2005, Bangladesh Bank).

### **5.1.9 Disbursement:**

Once the credit is approved, the customer should be advised of the terms and conditions of the credit by way of a letter of offer. The duplicate of this letter should be duly signed and returned to the institution by the customer. The facility disbursement process should start only upon receipt of this letter and should involve, inter alia, the completion of formalities regarding documentation, the registration of collateral, insurance cover in the institution's favor and the vetting of documents by a legal expert. Under no circumstances shall funds be released prior to compliance with pre-disbursement conditions and approval by the relevant authorities in the financial institution (L.R.Chowdhury, 2004).

### **5.6. Credit Risk Management:**

The credit risk management process of SEBL has the function of consistent monitoring of the transactions within approved limits and recovering the bank's dues in time. The key responsibilities of the credit risk management process are as follows:

- a) Oversight of the bank's credit policies, procedures and controls relating to all credit risks arising from corporate/commercial/institutional banking, personal banking, & treasury operations.
- b) Oversight of the bank's asset quality.
- c) Directly manage all Substandard, Doubtful & Bad and Loss accounts to maximize recovery and ensure that appropriate and timely loan loss provisions have been made.
- d) To approve (or decline), within delegated authority, Credit Applications recommended by RM. Where aggregate borrower exposure is in excess of approval limits, to provide recommendation to MD/CEO for approval.
- e) To provide advice/assistance regarding all credit matters to line management/RMs.



- f) To ensure that lending executives have adequate experience and/or training in order to carry out job duties effectively. The credit risk management process of SEBL includes the following operations:

### **5.6.1 Loan Administration:**

The main responsibilities performed by the loan administration department are as follows:

- a) To ensure that all security documentation complies with the terms of approval and is enforceable.
- b) To monitor insurance coverage to ensure appropriate coverage is in place over assets pledged as collateral, and is properly assigned to the bank.
- c) To control loan disbursements only after all terms and conditions of approval have been met, and all security documentation is in place.
- d) To maintain control over all security documentation.
- e) To monitor borrower's compliance with covenants and agreed terms and conditions, and general monitoring of account conduct/performance.

### **5.6.2 Credit Monitoring:**

To minimize credit losses, monitoring procedures and systems are in place that provides an early indication of the deteriorating financial health of a borrower. Credit monitoring process at SEBL tries to monitor the following:

- Past due principal or interest payments, past due trade bills, account excesses, and breach of loan covenants
- Loan terms and conditions are monitored, financial statements are received on a regular basis, and any covenant breaches or exceptions are referred to CRM and the RM team for timely follow-up.
- Timely corrective action is taken to address findings of any internal, external or regulator inspection/audit.

### 5.6.2.1 Branch Monitoring:

Credit monitoring activities in the branch performs the following responsibility:

- a) Monitor transactions in accounts to ensure turnover and utilization of limits.
- b) Thoroughly review all past dues, collateral short fall, covenant breach and other irregularities.
- c) Rectify all audit objections and follow their suggestions.
- d) Periodic client calls and review by branch head.
- e) Formal periodic review of all relationships.
- f) Factory visit / stock inspection and progress of work against work / implementation of projects are to be recorded and reviewed.
- g) Borrower to be communicated about past dues, over due installments, expiry of insurance, guarantee, limits etc.
- h) Early alert reports are prepared within 7 days of identification of weakness in the business and financial weakness of the client and sent to Head Office Loan Administration.(SEBL credit policy)

### 5.6.2.2 Loan Review Committee:

The IT system of SEBL produces over due positions on 3 periods viz. 30 days, 60 days and 90 days and above. It also produces expired limits and excess over limits (EOLs). The loan MIS are duly distributed to branches, HOM, HOC, HOO, HOCA and MD. A designated loan admin officer follows up the position on a daily basis. Besides, the loan review committee of the bank formally follows up the overdue positions, expired limits and EOL with the branches on a monthly basis which is minuted for taking actions at the earliest, before the account further deteriorates.

### 5.6.2.3 Early Alert Process:

An Early Alert Account is one that has risks or potential weaknesses of a material nature requiring monitoring, supervision, or close attention by management. If these weaknesses are left uncorrected, they may result in deterioration of the repayment prospects for the asset or in the Bank's credit position at some future date with a likely prospect of being

downgraded to CG 5 or worse (Impaired status), within the next twelve months. Early identification, prompt reporting and proactive management of Early Alert Accounts are prime credit responsibilities of all Relationship Managers and must be undertaken on a continuous basis.



## **Chapter 6**

# **Foreign Exchange**

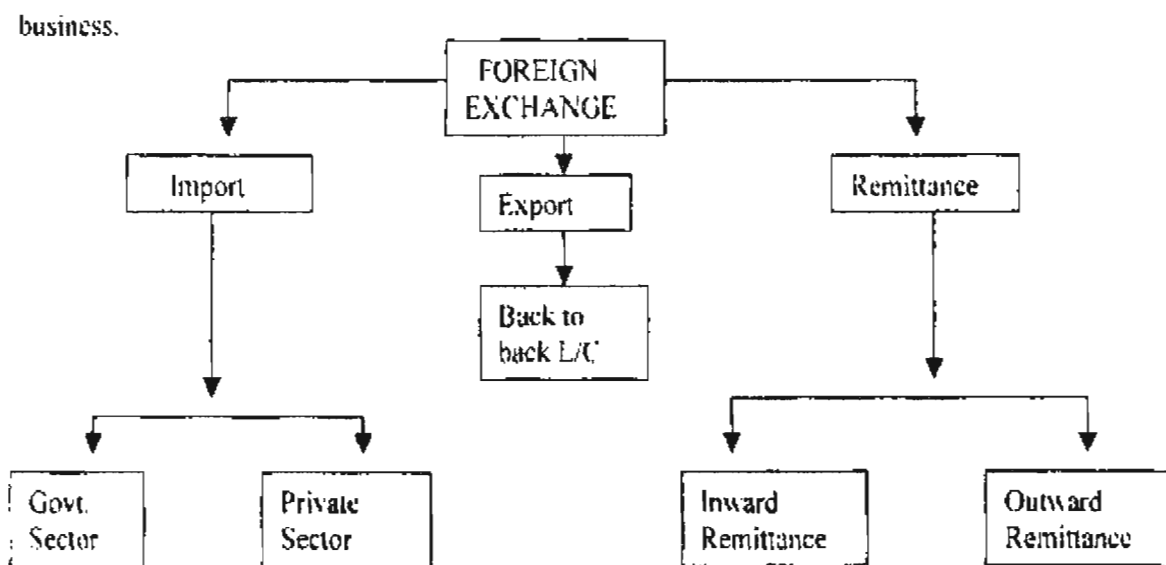
## 6.1 FOREIGN EXCHANGE :

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In any international trade the buyers and sellers are of different countries. None of them know each other nor about their business integrity and credit worthiness. Various regulations prevailing in their respective countries about foreign trade are also unknown to them. Thus the buyer wants to be assuring of goods and the sellers to be assured of payments. In such association commercial banks assure these things simultaneously by opening letter of credit guaranteeing payments to sellers and good to the buyers.

By opening letter of credit on behalf of a buyer and in favor of a seller, commercial banks undertake to made payment to a seller subject to submission of documents drawn in strict compliance with the terms of the letter of credit giving title to goods to the buyer.

Under foreign exchange operation bank facilitates import. export and foreign remittance business.

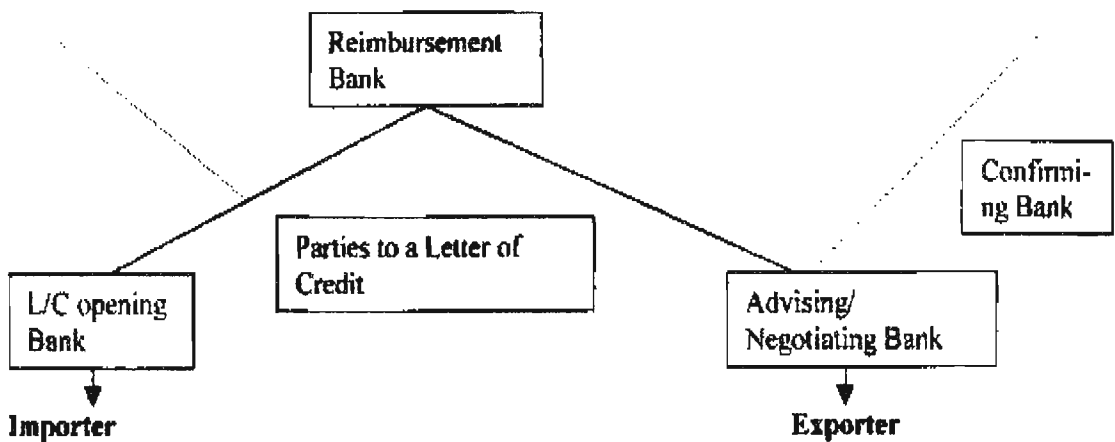


### 6.1.1 IMPORT:

While doing export-import or overseas business, some difficulties may arise. Because the person who buys the goods (importer) and who sells the goods (exporter) is of different countries. So there may arise problems. Moreover, the transactions occur through different countries. So for minimizing the problem of fluctuation of the value of different currencies. International Chamber of Commerce (ICC) established some regulations which have to be followed through out the world. These regulations are called UCPDC (Uniform Customs & Practice for Documentary Credit). According to UCPDC. Importer must open a L/C for importing anything from abroad.

Letter of Credit is a guarantee given by the issuing bank to the advising bank in favor of the exporter that in case of failure of giving payment by the importer issuing bank will pay the money to the advising bank.

### 6.1.2 PARTIES TO A LETTER OF CREDIT:



Applicant is the party who applies to the issuing bank for the issue of the credit. i.e. the



buyer. and usually the importer or the goods.

Issuing bank is the applicant's bank, which, by issuing the credit in favor of the beneficiary, gives its undertaking that the beneficiary's drawings, will be honored provided that all the terms of the credit are complied with.

Beneficiary is the seller of the goods in whose favor the credit is issued.

**Advising bank** is the agent bank of the issuing bank in the country of the sellers, and is responsible for verifying the genuineness of the credit by checking the signatures or telex test keys. The rules say, the advising bank must take "reasonable care" in such verification. And since reasonable care has yet to be defined it may well be that more than simple checking of signatures would be required in certain circumstances.

**Negotiating bank** is the bank to which documents are presented by the beneficiary for payment/acceptance and need not be the advising bank unless the credit restricts negotiation to that bank.

**Confirming bank** is a bank of necessity also the advising bank, in the country of the beneficiary, which adds its own undertaking to that of the issuing bank. This is an act of indemnity rather than guarantee and the beneficiary can claim payment from the confirming bank regardless of whether the issuing bank has made cover available for payment of drawings, or even of whether the issuing bank is still in business. Confirmation of another bank's credits should not therefore be taken lightly, but due consideration should be given to the bank risks and country risks involved.

**Reimbursing bank** is authorized by the issuing bank to pay claims made by the negotiation bank in respect of payments made under credits expressed in a currency which is neither that of the exporting nor the importing country. There is, therefore, no need for the reimbursing bank to see either the duty is to pay claims up to the amount of and within the validity of the credit.

### 6.1.3 TYPES OF LETTER OF COMMERCIAL CREDIT:

Letter of commercial credit are of various types and are classified as follows:

**Revocable and Irrevocable:** The revocable credits are those which can be revoked without the concurrence of the beneficiary. It shall not affect the right of the bank to be reimbursed for any payment. Acceptance or negotiation made by its prior to receipt of a notice about revocation of the letter of credit.

**Confirmed and unconfirmed:** In the case of a confirmed credit, the beneficiary receives a credit confirmed by a bank in his own country. The confirmation constitutes a definite and legal undertaking on the part of the confirming bank that it will honor the payment or acceptance on presentation of stipulated documents.

**Back to back credit:** It is a secondary credit opened by a bank on behalf of the beneficiary of an original credit, in favor of a domestic/foreign supplier. The amount of back to back credit must not exceed the amount of original credit and the items/goods must be relevant to the original credit. It facilitates the beneficiary of the original credit to purchase raw and packing materials.

**The Red or Green clause Credit:** This type of credit authorizes the negotiating bank to make advances to the beneficiary for purchasing goods/raw materials from the local suppliers. In this case, a clause in the letter of credit is inserted indicating clear instruction about such advances. The “Red clause” or “Green clause” is generally printed in Red or green to distinguish it from the text of the credit.

**Revolving credit:** Revolving credits are issued by bank for regular and continuous payment to the suppliers. There must be a provision in a revolving credit for making the credit available again as soon as the importer reimburses the issuing bank with the drafts already negotiated by the paying bank. The letter of credit will be revolved 2/3 or more times as stipulated in the credit.

**Deferred payment L/C:** The issuing bank undertakes to make payment against such type

of L/C at a future date. Mainly capital machinery is imported through this type of L/C.

#### **6.1.4 REQUIREMENT FOR OPENING AN L / C:**

To open a L/C. the requirements of an importer are:

- a. He/she must have an account in SOUTHEAST BANK LTD.
- b. He/she must have Importers Registration Certificate (IRC).
- c. Report on past performance with other banks. ONE Bank collects this report from Bangladesh Batik by  
CIB (Credit Information Bureau) report.
- d. Indent & pro-forma invoice.
- e. Head office approval.

#### **In the proposal for L/C approval following requirements should be fulfilled:**

- a) Name of the applicant, location and brief description of business:
- b) Name of proprietor/partner/director;
- c) import registration certificate;
- d) L/C value;
- e) Margin offered;
- f) Commodity to be imported
- g) Credit risk rating;
- h) CIB report (Credit information Bureau):
- i) Beneficiary's name and address;
- j) Beneficiary's credit report;
- k) Shipper name and address;
- l) Country of Origin;
- m) Purpose of import;
- n) L/C commission; etc.

### 6.1.5 PROCEDURE OF OPENING AN L/C:

LC is a guarantee given by the issuing bank on behalf of the buyer to the advising bank making the seller as beneficiary. The procedure of opening a L/C is Applicant has to apply for opening L/C by a prescribed form.

Applicant has to submit the Letter of Indent or Letter of Proforma Invoice.

**Letter of indent:** Many sellers have their agent in seller's country. If the contract of buying is made between the buyers and the agent of the sellers then it is called Letter of Indent.

**Letter of Proforma Invoice:** If the contract is made directly between the buyers and the sellers then it is called the Letter of Proforma Invoice.

Applicant has to submit IRC (Import Registration Certificate). It is a certificate being renewed every year. This certificate is necessary if the contract is made between the buyers and the agents of the sellers. IRC is of two types — COM and IND. COM is given for commerce purpose and IND is given for industrial purpose

- Applicant has to submit LCAF (Letter of Credit Authorization Form).
- Applicant has to submit insurance document.
- Applicant has to prepare FORM-IMP.
- Recently, there has been made a provision to give a certificate named TIN (Tax Payers Identification Number). Taxation department issues this certificate.
- Then after proper scrutiny bank will open a L/C.

### 6.1.6 Foreign Exchange Mechanism:

- (1) L/C opening
- (2) Present document
- (3) Payment against document
- (4) Confirming L/C
- (5) Submit document
- (6) Makes payment
- (7) Issue L/C
- (8) Forward documents
- (9) Makes payment



### 6.1.7 L/C Application:

Southeast Bank Ltd. Principal Bazar Branch provides a printed form for opening of L/C to the importer. This form is known as Letter of Credit Application form. A special adhesive stamp is affixed on the form. While opening, the stamp is cancelled. Usually the importer expresses his desire to open the L/C quoting the amount of margin in percentage. The importer gives the following information:

1. Full name and address of the importer.
2. Full name and address of the Beneficiary.
3. Draft amount.
4. Availability of the credit by sight payment acceptance/negotiation/deferred payment.
5. Time bar within which the document should be presented.
6. Sales type (CIF/FOB/C&F).
7. Brief Specification of commodities, price, and quantity, indent No. etc.
8. Country of origin.
9. Bangladesh Bank Registration No.
10. Import License / LCAF No.
11. TRC No.

12. Account No. with the bank.
13. Documents required.
14. Insurance cover note / Policy No. Date, amount.
15. Name and address of Insurance Company.
16. Whether the partial shipment is allowed or not.
17. Whether the Transshipment is allowed or not.
18. Last date of shipment.
19. Last date of negotiation.
20. Other terms and conditions if any.

The above information are given along with the following documents

1. Proforma Invoice stating description of the goods including quantity, unit price etc.
2. The insurance covers note, issuing company and the insurance number.
3. Two copies (original/duplicate) of MP Form.

#### **6.1.8 Scrutiny of L/C Application:**

The Southeast Bank Ltd. Principal Branch Official scrutinizes the application in the following manner —

1. The terms and conditions of the L/C must be complied with UCPDC (Uniform Customs & Practice for Documentary Credit).
2. Exchange Control & Import Trade Regulation.
3. Eligibility of the goods to be imported.
4. The L/C must not be opened in favor of the importer.
5. Radioactivity report in case of food item.
6. Survey reports or certificate in case of old machinery.
7. Carrying vessel is not of Israel.
8. Certificate declaring that the item is in operation not more than 5 years in case of car.



### **6.1.9 Precautions taken by officer before issuing L/C:**

After submission of documentary Letter of Credit application form, the concerned officer scrutinizes the terms and conditions that mentioned in application. He must check the following things

1. Whether the terms and conditions of L/C application are consistent with Exchange Control and Import Trade regulation, UCPDC.
2. L/C must not be opened in favor of the importer or his agent.
3. L/C must be signed by the importer agreeing all terms and conditions mentioned in the application
4. Indenting registration number
5. Whether IMP form duly filled and signed
6. Validity of IRC
7. Insurance cover note with date of shipment
8. The code of the goods
9. The balance of the accounts of the importer
10. The goods are not from Israel and vessels to be used is not of Israel.

### **6.1.10 Amendment of Letter of Credit:**

Parties involved in a L/C, particularly the seller and the buyer cannot always satisfy the terms and conditions in full as expected due to some obvious and genuine reasons. In such a situation. The credit should be amended. Southeast Bank Ltd. Principal Branch transmits the amendment by telex to the advising bank. In case of revocable credit, it can be amended or cancelled by the issuing bank at any moment and without prior notice to the beneficiary. But in case of irrevocable letter of credit. it can neither be amended nor cancelled without the agreement of the issuing bank with the confirming bank (if any) and the beneficiary. If the L/C is amended, service charge and telex charge is debited from the party account accordingly.

### **6.1.11 Presentation of the Documents:**

The seller being satisfied with the terms and the conditions of the credit proceeds to dispatch the required goods to the buyer and after that, has to present the documents evidencing dispatching of goods to the negotiating bank on or before the stipulated expiry date of the credit. After receiving all the documents, the negotiating bank then checks the documents against the credit. After receiving all the documents, the negotiating bank then checks the documents against the credit. If the documents are found in order. The bank will pay, accept or negotiate to Southeast Bank Ltd. Principal branch. The usual documents are

1. Invoice
2. Bill of lading
3. Certificate of origin
4. Packing list
5. Shipping advice
6. Non negotiable copy of bill of lading
7. Bill of exchange
8. Pre-shipment inspection report
9. Shipment certificate

### **6.1.12 Examination of discrepancy Documents:**

Southeast Bank Ltd. Principal branch officials check whether these documents have any discrepancy or not. Here, Discrepancy means the dissimilarity of any of the documents with the terms and conditions of L/C.

### **Common Discrepancies Check List:**

- 1) Late shipment effected
- 2) Late presentation of documents
- 3) Early shipment i.e. shipment made prior to issuance of L/C or time stipulated in L/C

- 4) L/C expired
- 5) L/C overdrawn
- 6) Partial shipment or transshipment effected in contrary to L/C terms.

### **Bill of exchange**

- 1) Amount of Bill of Exchange differs with that of invoice
- 2) Not drawn on L/C issuing bank
- 3) Not signed
- 4) Tenor of bill of exchange not identical with L/C.

### **Invoice**

- 1) Not issued by the beneficiary
- 2) Not signed by the beneficiary
- 3) Not made out in the name of the applicant
- 4) Description, price. Quantity. Sales terms of the goods do not correspond with the L/C.
- 5) Not marked as “original”
- 6) Shipping marks differ with that of B/L and Packing list.

### **Packing list**

- 1) Gross weight, Net weight and measurement. Number of cartons/packages differs with those of B/L.
- 2) Not marked as “Original.
- 3) Shipping marks differ with that of B/L.

### **Bill of Lading**

- 1) full set of B/L not submitted
- 2) Bill is not drawn or endorsed to the order of issuing Bank/Negotiating Bank.

- 3) “Shipped on Board”, “Freight Prepaid” etc. notations are not marked on the B/L.
- 4) Name and address of the Notify party (i.e.) are not mentioned or differ.
- 5) B/L does not indicate the name and capacity to the party i.e. carrier or master. on whose behalf the agent is signing the B/L.
- 6) ‘Shipped on Board” notation not showing name of intended vessel.
- 7) Short form B/L
- 8) Charter party B/L
- 9) Description of goods in B/L does not agree with that of invoice and packing list.
- 10) Alteration on B/L not authenticated.
- 11) Loaded on Deck
- 12) B/L bearing clauses or notations expressly declaring defective conditions of the goods and/or the packages.

#### **6.1.13 Dispatching the Import L/C:**

After opening of import L/C, Southeast Bank Ltd. Principal branch dispatches the L/C. Principal Branch sends an original copy of the L/C for negotiating and a copy to the advising bank for advising, a copy to reimbursing bank for reimbursement and a copy to the Head Office. Also keeps an office copy of the L/C.

#### **6.1.14 Advising the import L/C:**

**Before advising a L/C the Advising bank must see the following:**

- 1) Signatures of issuing Bank officials on the L/C verified with the specimen signatures Book of the said Bank when L/C received by airmail.
- 2) If the export L/C is intended to be an operative cable L/C, Test Code on the L/C invariably be agreed and authenticated by two authorized officers.
- 3) L/C scrutinized thoroughly complying with the requisites of concerned UCPDC provisions.

- 4) Entry made in the L/C advising register.
- 5) L/C advised to the beneficiary (exporter) promptly and advising charges recovered.

#### **6.1.15 Receiving Documents:**

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

The documents include:

1. Commercial invoice
2. Bill of lading
3. Bill of Exchange
4. Shipment Certificate
5. Pre-shipment Inspection Certificate
6. Certificate of Origin
7. Packing List
8. Weight List
9. Insurance Cover Note
10. Radio Activity Report (applicable for import of foods only)

#### **6.1.16 Lodgment & Retirement Section:**

Lodgment means retirement of funds. The foreign exchange officers of Southeast Bank Ltd. Principal Branch will scrutinize documents receiving from the negotiating bank. The officers carefully examine the following points:

##### **Invoice:**

1. The invoice should contain quality, quantity, unit price, total value
2. The number of copies should exactly meet the requirement of the credit

3. The shipper must sign all the copies.

-1

### **Bill of Lading:**

1. it must be duly signed and endorsed.
2. It must state payment of freight. If the invoice price is on C&F basis the bill of lading must be marked “Freight Paid” and freight is payable at destination, “Freight to Pay” is marked on B/L.

### **Certificate of Origin:**

1. It should provide evidence of the goods as specified in the credit. it is issued by the Chamber of Commerce of beneficiary’s country.

### **Bill of Exchange:**

- Is the Bill of Exchange drawn in the language of the credit?
- Is the bill of exchange properly prepared according to the credit conditions (on a sight or time basis) and drawn on the specified bank?
- Is it properly dated and sign
- Is the amount in figures corresponded exactly with the amount in word?
- Does it contain all the prescribed notations and clauses? Any other documents such as Weight and Measurement Certificate, Insurance Certificate, Packing list etc. as stipulated in the credit must be examined before negotiation.

After scrutiny of these documents. if there is any discrepancy in the document, the officer will promptly advise the importer and the negotiating bank and asks them to rectify these discrepancies. But if there is no discrepancy, then he will prepare some vouchers. Sometimes importer may accept the documents disregard of some discrepancy.

### **6.1.17 Payment Against Document (PAD):**

This is the most sensitive task of the Import Department. The Officials have to be very much careful while making payment. This task constitutes the following:

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

**Preparing sale memo:** A sale memo is made at B.C rate to the customer. As the T.T & O.D rate is paid to the 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 International Department.

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

**Interest charges on PAD:** From the date of bill negotiation to documents lodgment, interest is charged upon importer. At the same time interest starts to adjust from the date of documents received, if the importer makes delay in collecting the documents after paying all the due amounts to the bank.

### **6.1.18 Payment Procedure of the Import Documents:**

This is the most sensitive task of the Import Department. The Officials have to be very much careful while making payment. This task constitutes the following:

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



### **B.Preparing sale memo:**

-1

A sale memo is made at B.C. rate to the customer. As the 1.1 & O.D rate is paid to the ID, the difference between these two rates is exchange trading. Finally, an Inter Branch Exchange Trading Credit Advice is sent to ID.

### **C.Requisition for the foreign currency:**

For arranging necessary fund for payment, a requisition is sent to the International Department.

### **D. Transmission of telex:**

A telex is transmitted to the correspondent bank ensuring that payment is being made.

## **6.1.19 EXPORT SECTION:**

Foreign Trade plays a vital role in the economic advancement process of a nation. So the trend or parameters of foreign trade i.e. import and export is of great concern to the government of a country. By the term “Export” we mean out carrying of anything from one country to another. As bankers, we define “Export” as sending of visible things (mainly) outside the country for sale. An exporter should submit and maintain the following documents and accounts in case of export-

- He/she must have an account in Southeast Bank Ltd. Principal branch.
- IRC from Chief Controller of Import and Export.
- ERC from Chief Controller of Import and Export.
- Credit report of Import and Export.
- BGMEA (Bangladesh Garments Manufacturers & Exporter Association) membership.
- Quota Allocation from BGMEA.

### 6.1.20 BACK TO BACK L/C:

Back to back L/C is the L/C, which is backed by another L/C i.e., this type of import L/C is opened against lien of export L/C (Mother L/C, Master L/C). So, import against export is called back L/C is the L/C.

THE NEW CLIENT WHO DESIRES TO AVAIL BB L/C FACILITY TO SUBMIT FOLLOWING PAPERS/DOCUMENTS TO THE BANK FOR CONSIDERATION.’

1. Memorandum of Association
2. Articles of Association
3. Certificate of incorporation
4. Declaration regarding
5. liability with other Bank
6. Detailed credit report
7. Tax Identification Number (TIN)
8. IRC
9. ERC
10. Declaration of Assets & liabilities of directors
11. Bonded warehouse license
12. Declaration of collateral's offered
13. List of machinery's with value included commercial invoice
14. 100% share certificate of the company
15. Valid fire license
16. Registration from EPB
17. Membership certificate from BGMEA/BTMEA
18. Valid trade license
19. Latest audited income statement and balance sheet of the company
20. Application with all required papers/documents as mentioned above

## **6.1.21 FOREIGN REMITTANCE:**

### **INLAND REMITTANCE:**

Inland remittance was discussed in the part-i of general banking of Southeast Bank Ltd.

### **FOREIGN REMITTANCE:**

- The activities of foreign remittance are
  - Issuing of foreign draft.
  - Sending dollar to another country.
  - Dollar endorsement.
- # Issuing traveler's cheque.

## **6.1.22 ISSUING OF FOREIGN DEMAND DRAFT (FDD):**

People have to send money to abroad for various purposes. Southeast Bank Ltd. Principal Branch issues most of the FDD for the purpose of payment of the application fees to the foreign universities. For the issuance of FDD. FORM T/M has to be filled up. In this form, the purpose of travel, name of the country where the applicant will go. Name of the air or shipping company, passport number, date and place of issue of the passport are given. This form has to be duly signed by the applicant. In case of application fee, the applicant has to mention the name of the university in whose favor the FDD is issued.

## **6.1.23 ISSUANCE OF TRAVELER'S CHEQUE (TC):**

Authorized dealer (foreign exchange) branches can sell foreign exchange for travel purposes strictly in accordance with instructions issued h Bangladesh Bank. For TC, customer has to fill up TM form. He has to till up the purchase form. Purchase form has six copies. One copy for Traveler Cheque Co/Bank. Two copies for the branch and three copies for the customer. For TC bank charges certain percentage of commission and flexed amount of passport endorsement charge.

## **PART 2**

## **PROJECT PART**

## CHAPTER 7

### INTERNATIONAL DIVISION



## **7.1 FOREIGN EXCHANGE DEPARTMENT (HEAD OFFICE):**

The Foreign Exchange Department (Head office) of Southeast Bank Ltd. performs different functions under the following three heads:

**7.1.1** Treasury Operations

**7.1.2** Correspondent Banking

**7.1.3** Nostro Account Management

**7.1.4** Supervision/Co-ordination of Trade Management

**7.1.5** Foreign Exchange Back Office

**7.1.6** Money Market Back Office

### **7.1.1 Treasury Operations:**

In the year 2006, inter-bank foreign currency markets were highly volatile. Due to the price hike of oil both in world market and in our country, there was a huge demand for foreign currency. There was also an increasing demand for different imported items which put an enormous pressure on our foreign reserves. Our Treasury Department efficiently handled different types of risk associated with these volatile foreign currency transactions. Liquidity risk, interest rate risk and exchange rate had been tackled prudently. As a result, we could supply a significant amount of foreign currency in the market.

Treasury also managed fund requirement in local currency efficiently. Foreign Exchange Market and Primary Dealership encountered multi-dimensional challenges and new regulations were introduced with various associated risks. Treasury Department was engaged to manage the local and foreign currency as per the monetary and fiscal policy of the country and also as per the guidelines of Bangladesh Bank.

Treasury Department has also been considered as an important income generation area. In 2006, they generated an income of Tk, 457.48 million from treasury operations which was 82.14% higher than that of the previous year.

### **7.1.1 Correspondent Banking:**

This department of head office develops and maintains correspondent relationship with Foreign Banks located at different locations throughout the world. At present SEBL has correspondent relationship with 200 leading banks, such as, Standard Chartered Bank, American Express Bank, Wachovia Bank NA, JP Morgan Chase Bank NA etc.

### **7.1.2 Nostro Account Management:**

Southeast Bank maintains account relationship with banks at major locations such as New York, London, Frankfurt to facilitate trade settlement in different currencies such as US Dollar, Great Britain Pound, Euro, Japanese Yen. These accounts are known as Nostro Accounts and are managed through Nostro account management dept.

### **7.1.3 Supervision/Co-ordination of Trade Management:**

This Department of Head office supervises and co-ordinates the branches for L/C business. In Head office, messages or information are sent or received through SWIFT (Society World Wide Inter bank Financial Tele Communication). It's a standardized transmission medium. Previously, there were some other devices of communication like TELEX. Information is sent to branches through SWIFT. When any information is sent to HO from outside, HO needs to know whether the information is genuine or not. For this purpose, Test Key is required. Test Key is approved by one person.

### **7.1.4 Foreign Exchange Back Office:**

Confirms FEX deals by arranging documentation and authorization to exchange documents to effect payments through SWIFT.



### **7.1.5 Money Market Back Office:**

**Money Market Back Office:** Each Bank maintains a clearing account with Bangladesh Bank which is used for all types of transaction/settlement with different banks, Non Bank Financial Institutions (NBFIs) to facilitate clearing of payment instruments and Daily Statement of Money Market Transaction – surplus & deficient.

Each bank also maintains Foreign Currency clearing account with Bangladesh Bank such as USD,EURO,GBP etc.

There are two part of this:

- 1) Local Money Market
- 2) Forex Money Market

Local money market conducts all types of transaction in Taka and Forex money market conducts all types of transaction in foreign currency

### **7.1.6 Organ gram of Remittance: Please see Appendix 2**

### **7.1.7 Work Flow chart: Please see Appendix 4a**

### **7.1.8 Remittance Cell:**

Tasks have to perform against institution received through Exchange Company.

1. Processing of data received through Soft-ware or E-mail in the Excel form.
2. Preparation of branch wise instruction for issuing payment order.
3. Sending remittance sheet by Fax to the concerned branches.
4. Preparing spread sheet for other banks for issuing TT/MT? DD.
5. Repairing vouchers for other banks against TT/MT/DD etc.
6. Updating correction letters to the beneficiary bank as well as their origination branch.
7. Sending correction letters to the beneficiary bank as well as their origination branch.
8. Attending queries stating fate of remittances sent earlier on daily basis.
9. Issuing DD drawn on Sonali Bank, checking and signing
10. Issuing DD drawn on Sonali Bank, checking and signing
11. Registering DD drawn on Sonali Bank

12. Dispatching with forwarding, checking and signing
13. DD confirmation between branch and exchange companies of Al-Ahalia exchange.
14. Maintaining Funds Position with other Banks
15. Reporting to Bangladesh Bank
16. Daily reporting to the Management.
17. Filling every consignment in systematic manner
18. Co-ordination to reconciling Accounts with other banks.

## **CHAPTER - 8**

### **SWOT ANALYSIS**

## **8. SWOT ANALYSIS**

SWOT analysis is a device by which a company can evaluate its strengths, weaknesses, Opportunities and threats. This analysis helps the company to take future and present decisions in order to cope up with the market situation. Therefore, it is very important for every company to do the SWOT analysis in order to know the market position.

### **8.1 Strengths**

#### **8.1.1 Company Reputation**

SEBL has already established a favorable reputation in the banking industry of the country particularly among the new comers. With a period of seven years, SEBL has already established a firm footing in the banking sector having tremendous growth in the profits and deposits. All these have leaded them to earn a reputation in tile banking field.

#### **8.1.2 Sponsors**

SEBL has been founded by a group of eminent entrepreneurs of the country having adequate financial strength. The sponsor directors belong to large industrial conglomerates of the country. The Board of Directors headed by its Chairman Mr. M.A. Kashem is a former President of FBCCI and has years of experience and has earned the reputation of being a successful businessman. Other directors include Mr. Yusuf Abdullah Haroon, who is also the current President of FBCCI and Mr. Ragib Ali as the vice Chairman of the Bank who is also the owner of the country's largest tea plantation. Therefore, SEBL has a strong financial strength and IS built upon a strong foundation.

### **8.1.3 Leadership**

At SEBL, eminent banker Mr. Shah Md. Nurul Alam as the CEO of the Bank head of the management team his years of banking experience at AB bank Limited and others have enable him to navigate the organization in the turbulent Ocean of fierce competition and taking SEBL to a new millennium. Mr. M. A, Muhith, currently the DMD of the Bank, support the CEO. The bold leadership of the CEO and the DMD are the foundations of the management team of SEBL.

### **8.1.4 Top management**

Like the CEO and DMD the top management of the bank is also a major strength for the SEBL and has contributed heavily towards the growth and development of the bank. The top management officials have all worked in reputed banks and their years of banking experience, skill, and expertise will continue to contribute towards further expansion of the bank. At SEBL, tile top management is the driving force and the think tank of the organization where policies are crafted and often cascaded down.

### **8.1.5 Market share Profitability**

As already mentioned earlier, SEBL has established a fin footing among the new comers in, the banking industry of Bangladesh. They have already achieved high growth rate accompanied by an impressive profit growth rate in 2002. The number of deposits and the loans and advances are also increasing rapidly.

### **8.1.6 Strong financial resources**

Southeast Bank Limited has strong financial resources to run the banking business. In the year 2002 the capital fund of the bank including paid up capital, reserves, retained earnings stood at around Tk. 56.00 crore. It is expected that in the near future the banks financial resources will get much stronger.

### **8.1.7 Facilities and Equipments**

SEBL has adequate physical facilities and equipment's to provide better service to the customers. The bank has computerized banking operations under the software called PC Bank. Counting machines in the teller counters have been installed for speedy service at the cash counters. Computerized statements for the customers as well as for the internal use of the banks are also available. All the branches of SEBL are equipped with Telex and Fax facilities. The Head Office and the Dhaka & Chittagong based branches also ha Internet facilities.

### **8.1.8 Impressive Branches**

SEBL has earned a reputation in the banking sector for establishing impressive branches. The Gulshan Branch, Dhanmondi Branch, Kawran Bazar Branch and Uttara Branch and the Agrabad Branch are the most lavish and impressive branches of SEBL. This creates a positive image in the minds of the potential customers and many people get attracted to the bank. This is also an indirect marketing campaign for the bank for attracting customers. The other branches of the bank are also impressive and are compatible to foreign banks.

### **8.1.9 Interactive Corporate Culture**

SEBL has an interactive corporate culture. Unlike other local organization, SEBL's working environment is very friendly, interactive and informal. There are no hidden barriers or boundaries while interactive among the superior or the subordinate. The environment is also lively and since the nature of the banking job it self is monotonous and routine, SEBL's lively work environment boosts up the sprit and motivation of the employees. At the same time, music system in the office also plays a key role in making the environment lively.

### **8.1.10 Team work at mid-level and lower-level**

At SEBL's mid level and lower level management, there are often team works. Many jobs are performed in-group, of two or three in order to reduce the burden of the workload and enhance the process of completion of the job. People are eager to help each other and people in general are devoted to work.

### **8.1.11 Relatively less intervention from the Board of Directors compared to other Banks:**

At SEBL, the scenario is relatively better in terms of intervention of the board in management practices compared to other banks. Though, in a private bank there are often undue interventions from the board "regarding the processing of credit facilities. However, at SEBL the scenario is somewhat better and has fewer interventions from the board in the management practices. However, certain interventions from the board are inevitable in a Bangladesh bank.

Attract and retain MBA's at SEBL. Since foreign banks pay double that of SEBL, it will be very difficult to attract competent MBA's in future for SEBL, Therefore SEBL will have to attract competent NOA's and retain them if they do not revise their pay structure.

### **8.1.12 Human Resources Department**

The HR department is another weak area of SEBL. The HR department is very small relative to the size of the bank and other than the Head of HR wing. The staffs in this wing are incompetent to be an official in the HR department. Most of the HR practices and policies are not being followed or implemented here. The annual performance appraisal report of the employees has not been scrutinized yet and employees are not getting the type of required feedback. There is also no prescribed set of promotion policies. The



bank is still practicing the traditional method where solely the experience or length of service is considered as the criteria for promotion. On the other hand, Criteria for work output or productivity are not considered. Moreover, the HR department is only confined in the Head Office and does not have any role in the branch level activities.

### **8.1.13 Centralized Decision Making**

At SEBL, corporate decisions, the CEO/MD, DMD and other top management officials craft policies and strategies and then they are cascaded down. At times the Board of Directors are also engaged in making corporate decisions, As a result of this practice there is only a top down flow communication at SEBL. The scope for bottom up communication is very limited and many bright ideas or opinions are not being able to climb up the ladder to the top management. Ideas remain their forever.

## **8.2 Weakness**

### **8.2.1 No Vision**

The greatest irony is that despite claiming to be “A Bank with Vision” which is used as its advertising platform and mission statement, the bank as of today has failed to develop a prescribed set of vision as it embarks in to the cyber age of twenty first century. The bank still could not identify the core area of business and where it should concentrate in its business, as the new millennium is about to start. The bank does not have any long-term strategies of whether it wants to focus on retail banking or become a corporate bank. Till now, the bank is in a nowhere situation. Unofficially, retail banking is discouraged but at the same time the bank is not being able to pull itself away from retail banking. At the same time SEBL has failed to be a full-fledged corporate bank. The path for the future should be determined right now.

## 8.2.2 Advertising and Promotion:

This is a major set back for SEBL and one of its weakest areas. SEBL does not pursue an aggressive marketing campaign. It does not expose it self to the general public and are not in the lime light unlike other banks. Other than the neon sign at Farm gate Bridge, SEBL does not have neon sign or any, advertisement in the city. As a result people are not aware of the existence of this bank.

## 8.2.3 Poor Recruitment

During its inception, SEBL has not recruited competent people in filling up its lower and some mid level positions. Other than the recruitment of the Probationary Officers and Management Trainees, people who were recruited from banks for the lower management are not competent enough to provide the best output. As a result the services of the bank are being jeopardized. The external search of the bank in attracting people from other banks had flaws in it and the right people were not taken from the right bank.

## 8.2.4 Reference Appointment

This is one of the set backs of SEBL and will have a long-term repercussion on the quality of Human Resource. Many people have been recruited under the reference of the recommendation of the Board of Directors, which has become a chronic disease in tile PCB's as a result, people having inadequate qualifications and experience have been recruited only because of their ties with the sponsors. The practice must be stopped considering the future of the bank and it is very important to have a component workforce.



### **8.2.5 Disguised Employment**

This has also become growing problem at SEBL. Currently there are "Too many heads but few hands." Again this is related to the problem of reference appointment. There are people who are only drawing salaries at the end of the month but making a minimum or no contribution towards the organization. On the other hand there are officers who work hard but are not appraised accordingly.

### **8.2.6 Poor Service Quality**

This has become a major problem for the bank. The customer service quality in all the departments and in most of the branches is very low. The quality of tile service at SEBL is lower than those in the contemporary banks such as Dhaka Bank, Prime or Dutch Bangui. Where as SEBL was supposed to provide services compared to those in the FCB's, they are not being able to complete with its contemporary rivals in terms of service quality. If this trend continues, SEBL will soon fall into the category of the traditional banks. The service quality is worst in the General Banking Division, as there are several system errors.

### **8.2.7 Low remuneration package**

The remuneration package for tile entry and the mid-level management is considerably low. The compensation package for SEBL entry level positions is even lower than the contemporary banks. Under the existing low pay structure, it will be very difficult to remuneration package.

### **8.2.8 Noise Pollution**

This has become another major problem of SEBL. Since there are no cubical shaped offices, there is a tremendous noise in each department of the Gulshan Branch. The noise greatly hampers the work activity and the level of concentration. This is the problem of having an open space office where everyone is communicating with each other and creates noise.

## **8.2.9 Lack of qualified system operators and computer operators**

Currently at SEBL's Head office and in the Branches there are system operators who do not have any background academic knowledge on computer applications. As a result they frequently make mistakes in the preparation of various computerized statements. At the same time computer operators do not have the skill to carry out their activities.

## **8.2.10 Few staff meetings**

It has been observed that there are very few staff meetings and departmental meetings at the branch level. During the last four months there was only one staff meeting and one departmental meeting. This is not a good management practice.

## **8.2.11 Limitations of the PC Bank**

PC Bank is not modern and comprehensive banking software. It does not provide adequate support in providing the services. It is not user friendly and management should consider replacing the PC Bank system by a more comprehensive Banking System.

# **8.3 OPPORTUNITIES**

## **8.3.1 Diversification**

SEBL can pursue a diversification strategy in expanding its current line of business. The management can consider options of starting merchant banking or diversify in to leasing and insurance. By expanding their business portfolio, SEBL can reduce their business risk.

### **8.3.2 Product line proliferation**

There are several opportunities for SEBL to expand its product line. In this competitive environment SEBL must expand its product line to enhance its sustainable competitive Advantage (SCA). As a part of its product line proliferation, SEBL can introduce the following products.

### **8.3.3 ATM**

This is the fastest growing modern banking concept. SEBL should grab this opportunity and take preparations for launching ATM services around the country, Since SEBL is a local bank, and they can form an alliance with other contemporary banks in launching the ATM throughout the country.

### **8.3.4 Credit Cards and Tele banking**

These are the new retail banking services provided by the foreign banks, SEBL can evaluate the option of launching credit cards and Telebanking system. There are the recent developments in the banking sector and SEBL should also evaluate the option of doing it

### **8.3.4 On-line banking**

SEBL already launched the on line banking operations around the country but they can take the opportunity to increase the banking service area by using on-line communication by replacing the adequate and modern banking software. It is high time that they should go for this because the foreign banks as well as some local banks are thinking their service area by using on-in banking. So, they can take the advantage to implement the real on-line banking.

### **8.3.5 Introduction of SEBL's Own Savings Scheme**

This can be another new retail product for SEBL. They can start introducing their own savings scheme or pension scheme for different professions. For example, Standard Chartered has SYFANZ and PIANZ and Standard Chartered also has similar offers. Therefore, to attract more depositors, the management should consider the option of its own savings scheme.

### **8.3.6 Introduction of corporate scheme**

This is an innovative way of attracting corporate clients to the bank. Instead of providing CCS to executives of various companies, SEBL can introduce a special scheme for corporate officers for the purchase of consumer durable at an attractive interest rate. In this way, the bank will be able to attract a lot of corporate clients and in the long run the bank would be benefited by getting business for the bank from the corporate clients in terms of, Loans and advances etc. for example, officers of BTC, Lever Brothers, Square, and Beximco can be entered in to the corporate scheme.

### **8.3.7 Separate schemes for service holders**

The bank as a part of expanding its loan portfolio can provide assistance in terms of giving loans to service holders under various professions under a separate scheme. The bank can provide assistance to Engineers, Doctors, Lawyers and other professions under a separate scheme. Standard Chartered has already introduced such a scheme for different professions.

## **8.4 THREATS**

### **8.4.1 Multinational Banks**

The emergence of the multinational banks and their rapid expansion poses a potential threat to the new PCB's. Due to the booming energy sector, more foreign banks are expected to arrive in Bangladesh. Moreover, the already existing foreign banks such as Standard Chartered are now pursuing an aggressive branch expansion strategy. This bank is establishing more branches country wide and is expected to get into for operation soon. Since the foreign banks have tremendous financial strength, it will pose a threat to local banks to a certain extent in terms of grabbing the lucrative clients.

### **8.4.2 Upcoming Bank**

The upcoming private local banks can also pose a threat to the existing PCB'S. It is expected that in the next few years more local private banks may emerge. If that happens the intensity of competition will rise further and banks will have to develop strategies to complete against an on slaughter of foreign banks.

### **8.4.3 Contemporary Banks**

The contemporary banks of SEBL such as Dhaka Bank, Prime Bank and Dutch-Baggie are its major rivals. Prime Bank and others are carrying out aggressive campaign to attract lucrative corporate clients as well as big time depositors. SEBL should remain vigilant about the steps take by these banks as these will in turn affect SEBL strategies.

### **8.4.4 No new deposit creation**

This is a problem and a threat faced by the whole banking sector of Bangladesh. Due to the current economic slowdown, there is hardly any new deposit creation as there few investments and savings accompanied by a galloping inflation. As a result the new banks are not being able to attract absolutely new depositors but rather they have to hunt or snatch away depositors from other banks. Moreover, due to financial turmoil in Southeast



Asia, foreign remittance of Bangladeshis is also decreasing due to the massive retrenchment. Therefore all these adversaries are blocking the creation the creation of new deposits and banks are operating away depositors from one to another.

#### **8.4.5 Default culture**

This is a major problem in Bangladesh. As SEBL is a very new organization the problem of non-performing loans is very minimum or insignificant. However, as the bank becomes older this problem arises and the whole community suffers from this chronic disease. SEBL has to remain vigilant about this problem so that proactive strategies are taken to minimize this problem if not elimination.

## **Chapter - 9**

# **Findings**

## 9.1 FINDINGS:

The findings of this study are summarized below:

- a) Southeast Bank Limited is one of the commercial Bank in Bangladesh.
- b) The process of general banking activities of SOUHTEAST BANK LIMITED is very good.
- c) The credit risk management process of SOUHTEAST Bank Limited is quite commendable. Systematic and timely monitoring and appropriate documentation are tried to be maintained.
- d) Customer satisfaction level is quite good. Informal conversation with some customers reveals that they approve the credit evaluation and management process of SOUHTEAST Bank Ltd.
- e) Filing procedure is not maintained in a definite and clear manner. It is difficult to locate the documents in a chronological and sequential manner. A definite practice, though mentioned in the credit policy is not always maintained by the credit officials.
- f) The credit sanction and disbursement procedure is quite lengthy.
- g) Networking system in SOUHTEAST Bank Limited has to be improved. Network gets disconnected several times a day which causes delays in the overall process and other operations of the bank.
- h) There is no provision of Sensitivity analysis in the existing format of SOUHTEAST Bank Ltd.
- i) The Board of Directors of the bank do not do well in providing vision and strategy, the regulators exercised leniency.

## **Chapter 10**

# **Recommendation**

# **And**

# **Conclusion**

## 10.1 RECOMMEDDATION:

-3

In the light of the above findings, following recommendations are proposed:

- a) An uninterrupted network system has to be ensured. It will save the officials from much hassle and will save time.
- b) The credit sanction procedure should be made quicker since competition is very hard in today's business world. People do not want to wait for three to four weeks on an average to get a loan which is even protected by security.
- c) Decision making process can be made more decentralized. Participative approach should be adopted to gain prompt and effective result.
- d) Filing is a very important component of proper documentation. It has to be dealt with importance.



## 10.2 CONCLUSION:

Banking sector no more depends only on a traditional method of banking. In this competitive world banking sector has stretched its wings wide enough to cover any kind of financial service, not only from the local banks but also from the foreign banks. The banks of today faced a tough competition. The effectiveness of the credit appraisal system depends not only on the well-defined documents but also on the well-structured administration, proper application and continuous feed back and monitoring system. The major tasks for banks are to survive in this competitive environment is by managing its assets and liabilities in an efficient way. To make the assets especially loan and advances banks must have to more cautious and otherwise this asset will become a burden for the bank. To have fruitful investment bank must to do the credit appraisal perfectly.

**APPENDIX:**



**List of Graphs**

- Graph I: Total capital**
- Graph II: Total Assets**
- Graph III: Deposit**
- Graph IV: Earning Per Share**
- Graph V: Total Income**
- Graph VI: Non-Performing Loan**

**List of Table**

- Table 1: Financial Highlights**
- Table 2: Credit risk grading**
- Table 3: Credit recovery steps**

**Bibliography**

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2. Annual reports
3. Few Internship reports prepared by others students.
4. SEBL's ID manual report.



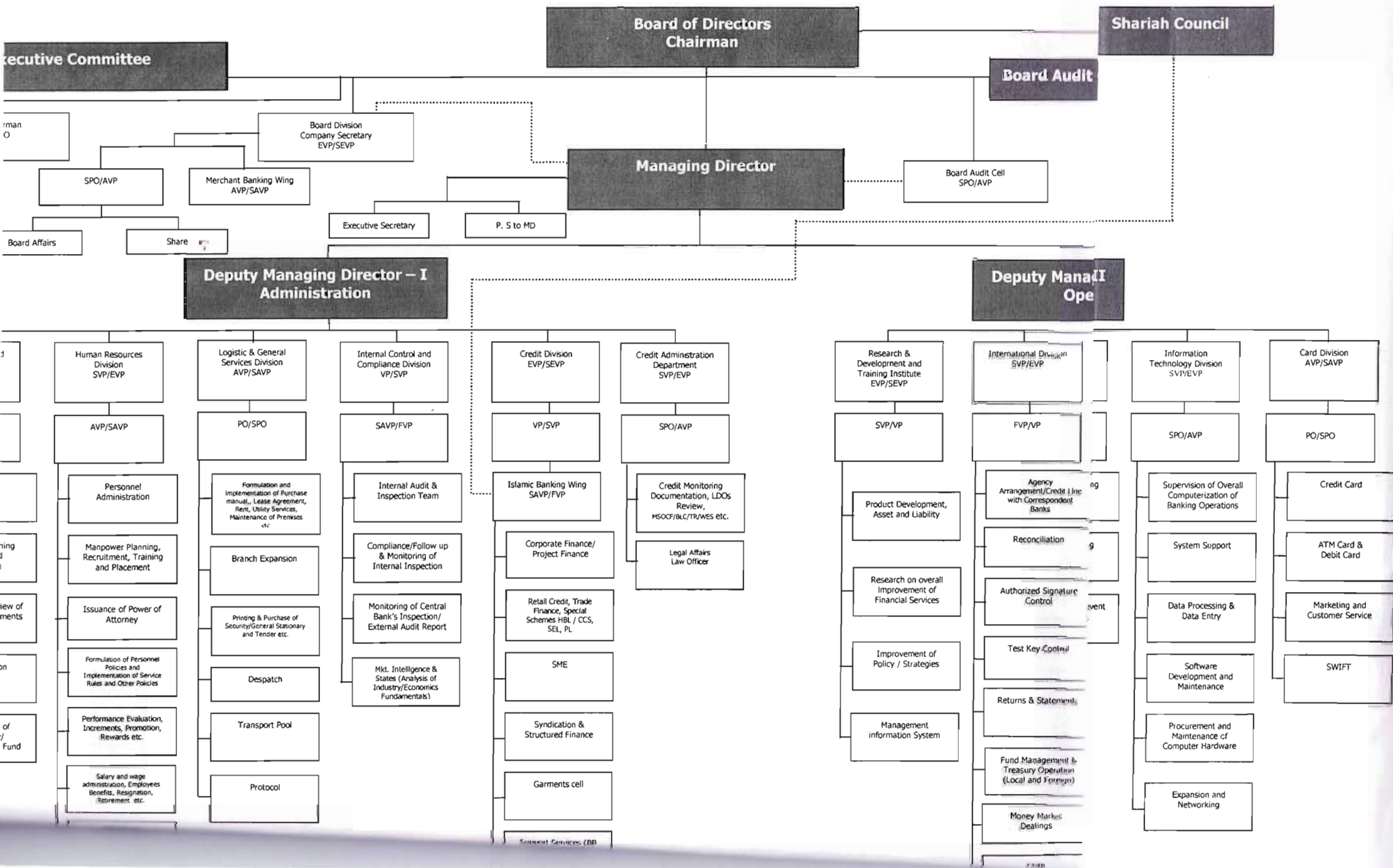
## Organograms/Flow Chart

1. Organogram of Head Office
2. Organogram of International Department
3. Organogram of Remittance Cell (Head Office)
4. Work flow Chart of Remittance Cell (Head office)



# Southeast Bank Limited

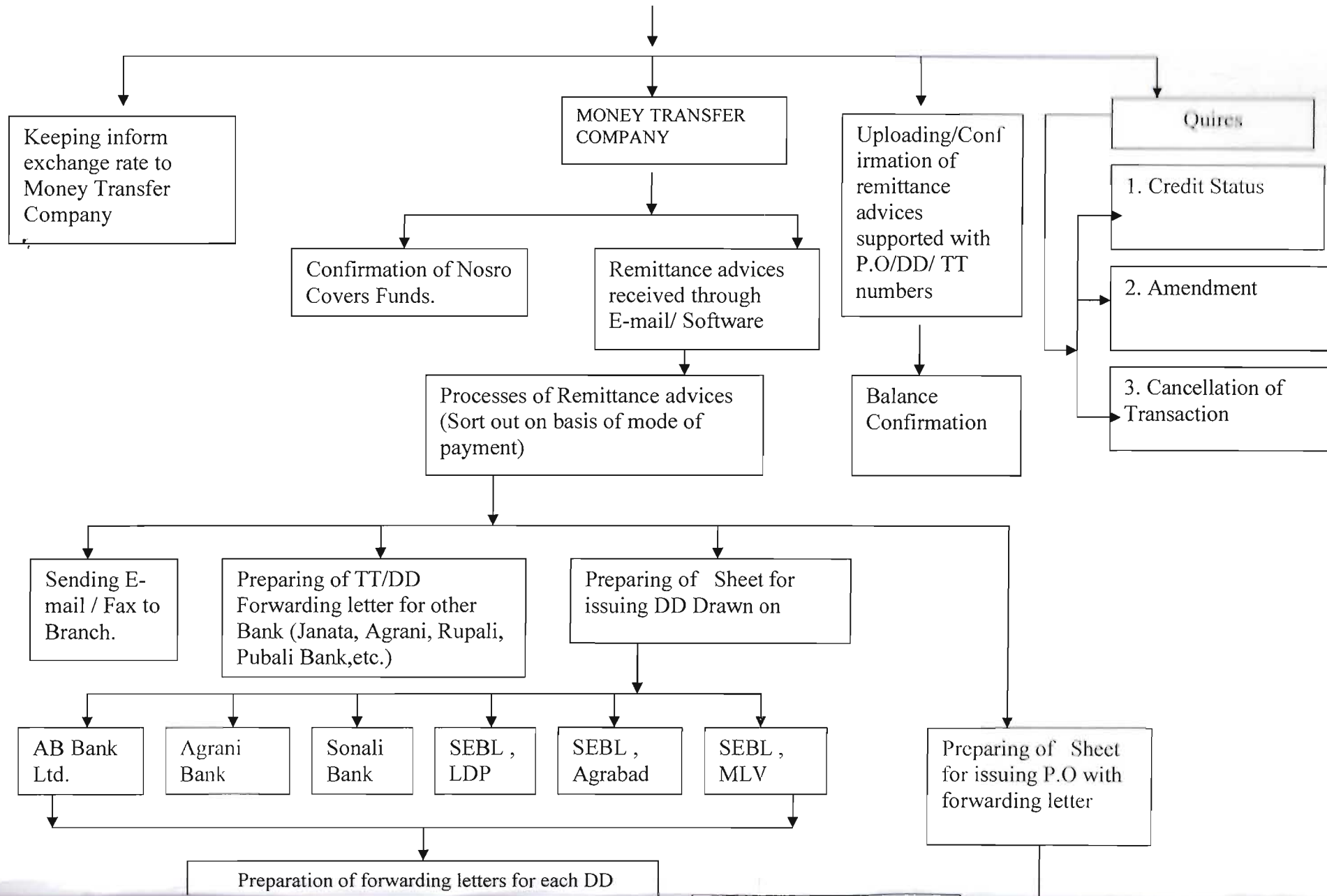
## Organogram of Head Office



# SOUTHEAST BANK LTD

Head Office (Remittance Cell)

## WORK FLOW CHART



**REFERENCE:**

1. Name
2. Source: i. Annual Reports of SEBL ii. Website of SEBL



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