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Standard Chartered 

Internship Report

on

**"MORTGAGE AND AUTO LOAN OF
STANDARD CHARTERED BANK, BANGLADESH"**

Prepared For

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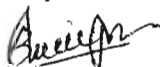
Dear Sir:

With due respect, gratitude and appreciation, I would like to present this report on “**MORTGAGE AND AUTO LOAN OF STANDARD CHARTERED BANK (SCB)**”, done under the Mortgage and Auto Loan Department of Standard Chartered Bank (SCB), as a partial fulfillment of Internship program for my BBA degree at East West University. The internship program gave me the opportunity to put my socio-professional capacity to the test under several circumstances and to solve challenges associated with my academia and work.

I have used three kinds of methods to gather information to do the competitive analysis. The methods include documentation, interview and direct observation. In the analysis both primary and secondary data were used.

The best efforts were applied to match the theoretical concepts to complete this project with real life situation. The whole work was challenging and very much enjoyable. If you need any clarification, I will be very glad to provide information for that.

Sincerely Yours



Mahbubur Rahman Bhuiyan

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Acknowledgement

First of all I like to express my gratitude to Almighty Allah Who has given me the opportunity to go through the total process of internship and to write a report in this regard.

I would like to express my gratitude to my honorable faculty supervisor Mr. Tanbir Ahmed Chowdhury, Professor, Business Administration and Proctor of the East West University; who has given me suggestions regarding the writing of this report and to go through the process, which has become an excellent way of understanding the topic of my internship. Basically in our academic life we got a lot of theoretical experiences about the business activities. I got a great pleasure whenever I saw those forms of business activities in my practical involvement. This gave me an opportunity to bridge the gap between my theoretical understanding and practical work in a meticulous way.

I would also express my gratitude to my organizational supervisor Mr. Shah Shuja Bin Jabber, Manager, Mortgage & Auto, 'Standard Chartered Bank' for giving me all sorts of logistics supports from initiation to final preparation of my report. I would also like to thank all the officials of the Standard Chartered Bank who have given me support by giving their valuable time in my report writing process. Without their support it might have been not be possible to complete my report in this way.

Executive Summary

The Banking industry is one of the most attractive industries in Bangladesh. Every year, this industry is growing at a higher pace with a number of multi-nationals coming in the competition. Among different multinational banks those are operating in Bangladesh, *Standard Chartered Bank (SCB)* is considered to be the largest banking service provider in the country.

This report endeavors to provide background information on the Mortgage and Auto Loan products of SCB. The broad project objective is to draw the present performance of Auto and Mortgage Loan of Standard Chartered Bank, and to identify the problems in their present Auto Loan offering and to direct some corrective measures which might help them to retain their present position in the Auto Financing Market. This might also help them to regain the leading position in the same field. In order to reach the broad objective, some specific research objectives are identified. fifty showrooms of car dealers had been visited to get a clear understanding about the present auto loan market and the present performance of auto loan product of SCB in the market. Since financing in personal apartment purchase is considered as the most lucrative zone for SCB Mortgage, 19 partner developer firms had been visited to collect the on going project related information. This information was later compiled and segmented according to the requirements of SCB Mortgage Loan Team. The report also focuses on the various aspects of the banking industry in Bangladesh, evolution of private banks, current status of the banking industry, its size and growth.

With the global slow down in the face of rising competition, the customers faced with an increasing array of financial products and services and expecting more from providers in terms of customize offerings, value, ease of access and personalized services. As a result, retaining customers and minimizing stake are both major concern for financial service institutions now a days.

At present, Standard Chartered Bank is operating in the country with quite a good number of Auto Loan customers and a reasonable number of Mortgage customers and of course both of these products are potentially lucrative for SCB. But the current trend of Auto Loan financing indicates a rising rivalry among the different competitors in the

industry. Hence, a good number of new customers are not preferring SCB as their source for purchasing cars now, switching to its competitors mainly because of flexibilities, in some cases better facilities, such as less document requirements, 0% down payment facility, less time consuming loan facility etc. SCB is no more leading in Auto Loan Facility, and of course they are loosing profit which they have the ability to grab. On the other hand in Mortgage or Home Loan, SCB recently has just written their name as lender in this sector. Compete with the established lenders will take some time for them. In a comparison with the more experienced lenders in the mortgage industry, SCB mortgage has some clear advantages over them, but still some internal inexperience they have not yet come to a stage to lead the market. SCB is not doing bad in this product though. But mistakes in the relatively older product, auto loan might spoil their opportunity to earn a huge profit in mortgage sector.

To have an insight from the practical aspect, this study is carried out to identify various reasons from Car Vendor's perspective which have led to the path for SCB to loose their leading position in Auto Loan product.

Therefore, this study tries to give some suggestions of improving these two services offered by the bank based on the present market scenario and SCB position in the related field. And also comparative analysis with other banks are depicted to make statement more strong.

Entire study consists of total eight parts. Part One is the Orientation to the Study, which includes objective of the study, scope, methodology and limitation of the study. Part Two is the orientation to the Banking Industry of Bangladesh. Third part or chapter is the Organizational part that gives the idea about Standard Chartered Bank's historical background, mission, objectives, and different divisions of SCB from both Global and Bangladesh perspective. Fourth Chapter contains the orientation of the Mortgage Loan Product of SCB and also a brief orientation to two dominant competitors of SCB in Mortgage Loan industry. Fifth Part is the part on the details of Auto Loan product of SCB. Sixth chapter consists of the summarized data on the disbursed loan amount of both Mortgage Loan and Auto Loan since their inception to the end of June 2006. Chapter seven depicts the findings of the study. It describes the details on findings and analysis of both mortgage and auto loan of SCB. A comparative picture of Mortgage Loan Services

among SCB and its two other major competitors are shown here. Ongoing project information of the 19 partner developer companies of SCB is tabulated here. Also all the findings from the survey conducted in the fifty Car Dealer Showrooms are also depicted in details in this part. Eight and final chapter consists of the recommendations which have drawn on the basis of findings from the Auto Loan part.



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1.1 Origin of the Study

The report on “MORTGAGE AND AUTO LOAN OF STANDARD CHARTERED BANK, BANGLADESH” has been prepared as a part of the Internship Program, which is a prerequisite of BBA program of East West University.

Since the BBA program is an integrated, practical and theoretical method of learning, the students of this program are required to have practical exposure in any kind of business organization for 12 weeks after completion of twelve semesters. So this report has been prepared after completion of 12 week attachment under Mortgage And Auto Loan Department of Standard Chartered Bank, Bangladesh.

1.2 Objectives of the Study

The general objective of preparing this report is to fulfill the requirement of Internship Program as well as completion the BBA Program through gaining the practical job experience and view the application of theoretical knowledge in the real life. Beside that we can categorized the objectives of the study in the following:

- ✓ To present an overview of the Mortgage Loan Product offered by Standard Chartered Bank, Bangladesh
- ✓ To present an overview of the Auto Loan Product offered by Standard Chartered Bank, Bangladesh
- ✓ To present a brief overview on the Real Estate Business and Market Segmentation of Country
- ✓ To Present a very brief overview of the Mortgage or Home Loan Products Offered by the two dominant competitors of SCB Mortgage
- ✓ To present a comparison of SCB Mortgage Loan Product with the Mortgage Loan Products of it's two major competitors

- ✓ To present the Ongoing Project information of 19 Real State partners of SCB Mortgage
- ✓ To make a comparison between Auto Loan Product of Standard Chartered Bank (SBC), Bangladesh with six other major competitors of SCB in the same field.
- ✓ To present a summarized data on disbursement amounts of Auto Loan and Mortgage Loan since their inception, to June 2006
- ✓ To present the car vendors' most preferred bank in auto loan financing
- ✓ To present the problems faced by SCB in Auto Loan Facility from vendor's perspective
- ✓ To present some suggestions on the corrective measures in present Auto Loan Facility of SCB and related recommendations

1.3 Scope and Methodology of the Study

Within the study topic of the report, issues related only with the Standard Chartered Bank's Auto Loan and Mortgage or Home Loan product related activities are discussed. In depth financial analysis of the Bank's Auto Loan and Mortgage facility are not within the scope of the study.

- ✓ In this study, to get an overview about SCB Auto Loan and Mortgage Loan Facility some officials of SCB in the Auto and Mortgage Center was interviewed.
- ✓ Nineteen Real Estate Company's head offices were visited for the purpose of collecting information on ongoing projects to establish a Developer Database for SCB Mortgage and amassed information has presented in the report as a most lucrative financing area of SCB Mortgage.
- ✓ Also Information on the two major competitors of SCB Mortgage were collected to present a very brief overview about their offerings similar to SCB Mortgage and to make a comparison.
- ✓ In this study, both primary and secondary data is used. Primary data was the data collected from within the Mortgage and Auto Loan Department of

SCB. Secondary data was collected from nineteen partner developers of SCB, offices of two competitors of SCB Mortgage and also Fifty Car Vendor Showrooms of the capital city was visited to know about the current Auto Loan Financing market. Showroom people were interviewed about SCB Auto Loan facility and the performance of other competitor banks in the related field.

The following methods were used to collect the required information for the study:

Documentation: Documentary information for the study includes written reports and administrative documents such as Auto Loan Sales Kit and Mortgage Loan Sales Kit.

Interviews: The primary data was collected through interviews. The nature of the interviews conducted was both open-ended and close-ended. These interviews were performed in a conversational manner and the respondent can answer in his or her own words. This interview form was provided by Standard Chartered Bank (SCB) and has been attached in the appendix section.

Direct Observation: Different issues related to the Auto and Mortgage Loan service processing has been collected through direct observation.

1.4 Limitation of the Study

The overall study was conducted considering a number of limitations. These are as follows:

The major limitation of the study was confidentiality of the data. As part of the policy of Standard Chartered bank, some data could not be used to enhance the parameter of the analysis. Because of maintaining the secrecy, such data specially the financial data which bank authority think as very important to the bank's interest and are not willing to reveal to the public. They have not provided these data, and could not be included in the report.

Limitation of time was one of the most important factors that shortened the present study.

Due to time constraints, many aspects could not be discussed in the present study.

Beside all the above restraint, the lack of experience on the part of the researcher in this field may have become yet another limiting factor.

ORIENTATION TO THE BANKING INDUSTRY IN BANGLADESH:

2.1. Banking Industry in Bangladesh: Overview

Bangladesh is a country where a substantial segment of the population lives below the subsistence level. Economy of the country is grouped in the world's most underdeveloped economies. One of the reasons behind it might be its weak and unorganized banking system. Country's banking system is characterized by strict regulations and monitoring from the central governing body, The Bangladesh Bank. As the government is often the owner and regulator as well as the supervisor and customer of a bank, there has been ample opportunity for mismanagement over the years. The banking sector is plagued with a lack of credit discipline, archaic loan recovery law, corruption, inefficiency, overstaffing, etc. Several reform measures of the financial sector have been taken to improve the situation. Relative stability achieved by the support extended by both the central bank and the Government of Bangladesh in the past has restored public confidence in the country's banking sector.

Currently the banking sector of Bangladesh can be classified in five disciplines:

Bangladesh Bank

Nationalized Commercial Banks (NCBs),

Private Commercial banks (PCBs)

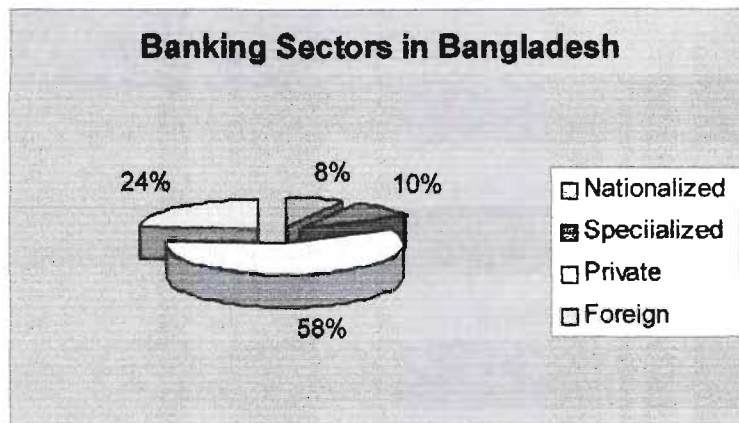
Foreign Commercial Banks (FCBs)

Development Financial Institutions (DFIs) or Development/ Specialized Banks

Bangladesh Bank (BB) has been working as the central bank since the country's independence. Its prime jobs include issuing of currency, maintaining foreign exchange reserve and providing transaction facilities of all public monetary matters. BB is also responsible for planning the government's monetary policy and implementing it thereby. The BB has a governing body comprising of nine members with the Governor as its chief. Apart from the head office in Dhaka, it has nine more branches, of which two

in Dhaka and one each in Chittagong, Rajshahi, Khulna, Bogra, Sylhet, Rangpur and Barisal. Bangladesh Bank (BB) regulates and supervises the activities of all banks. All banks are highly governed and controlled under the Banking Companies Act 1993.

Figure 1: Percentage of different banking sectors in Bangladesh



Source: Scheduled Bank Statistics, 2003-2004

Due to the tight regulations imposed by the Bangladesh Bank, the banking products offered in Bangladesh are fairly homogeneous in nature. With the liberalization of markets competitions among the banking products seems to be growing more instances each day. Competing through differentiation is increasingly difficult and other banks quickly duplicate any innovative banking service

Bangladesh Bank has been playing an important role for bringing in discipline and dynamism in the banking sector of the country. Due to stringent supervision and control exercised by the central bank, there has been a significant progress in the reduction of percentage of classified loans in the banking sector in the last few years. Some measures of the central bank to restore the loan discipline of banks include guidelines for customer and SME financing, Credit Information Bureau reporting of Credit Card advances and consumer loans, new rules on writing off bad debt, introduction of special mention account etc. The BB is now carrying out a reform programme to ensure quality services by the banks.

2.1.1. Nationalized Commercial Banks (NCBs)

Before independence of Bangladesh, all the commercial banks operating in Pakistan were privately owned except National Bank of Pakistan (Sonali Bank) and Eastern Mercantile Bank (Pubali Bank). After independence, all the banks operating in Bangladesh except foreign banks were nationalized and restructured into 6 banks. Later on, Uttara Bank Ltd. and Pubali Bank Ltd. have subsequently been transferred to the private sector in September 1983 and 1984 respectively.

Sonali Bank is the largest among the NCBs, and largest and leading among all the commercial banks of the country. Beside the Sonali Bank the other three NCBs are Janata, Agrani and Rupali Bank Ltd.

Table 1: Nationalized Commercial Banks (NCBs) operating in Bangladesh

Name Of the Bank	Date Of Incorporation
Nationalized Commercial Banks (NCBs)	
Sonali Bank	1972
Janata Bank	1972
Agrani Bank	1972
Rupali Bank Ltd.	1972

Source: Bangladesh Bank

2.1.2 Private Commercial Banks (PCBs)

Private Commercial Banks (PCBs) are the Scheduled Banks. Among the 30 PCBs Pubali Bank is the leading one. PCBs are classified into the three different segments, such as 1st Generation Private Commercial Banks (opened during 1982-88), Second Generation Private Commercial Banks (opened during 1992-96) and Third Generation Private Commercial Banks (opened during 1999-2001)

Table 2: Private Commercial Banks (PCBs) operating in Bangladesh

Private Commercial Banks (PCBs)			
1st Generation Private Commercial Banks	(1982 – 1988)	2nd Generation Private Commercial Banks	(1992 – 1996)
Name of the Bank	Date of Incorporation	Name of the Bank	Date of Incorporation
Arab Bangladesh Bank Ltd.	April 12, 1982	Eastern Bank Ltd.	Aug 16, 1992
National Bank Ltd.	March 23, 1983	National Credit & Commerce Bank Ltd.	May 17, 1993
The City Bank Ltd.	March 27, 1983	Prime Bank Ltd.	April 17, 1995
IFIC Bank Ltd.	June 23, 1983	Southeast Bank Ltd.	May 25, 1995
United Commercial Bank Ltd.	June 29, 1983	Dhaka Bank Ltd.	July 5, 1995
Pubali Bank Ltd.	Aug. 21, 1983	Al-Arafa Islami Bank Ltd.	Sept. 27, 1995
Uttara Bank Ltd.	Aug. 21, 1983	Social Investment	Nov. 22, 1995

		Bank Ltd.	
The Oriental Bank Ltd	May 20, 1987	Dutch-Bangla Bank Ltd.	June 3, 1996
3rd Generation Private Commercial Banks	(1998 to Present)		
Name of the Bank	Date of Incorporation	Name of the Bank	Date of Incorporation
Bangladesh Commercial Bank	Jan. 1998	Mutual Trust Bank Ltd.	Oct. 24, 1999
Mercantile Bank Ltd.	June 2, 1999	First Security Bank Ltd.	Oct. 25, 1999
Standard Bank Ltd.	June 3, 1999	Premier Bank Ltd.	Oct. 26, 1999
One Bank Ltd.	July 14, 1999	The Trust Bank Ltd.	Nov. 29, 1999
Exim Bank Ltd.	Aug 3, 1999	Jamuna Bank	June 3, 2001
Premier Bank Ltd.	Oct. 26, 1999	Shahjalal Bank	May 10, 2001
Bank Asia Ltd.	Sept. 27, 1999	BRAC Bank	July 4, 2001

Source: Bangladesh Bank

2.1.3. Foreign Commercial Banks (FCBs)

At present there are thirteen (13) Foreign Commercial Banks (FCBs) are operating in the country. Among the 13 FCBs Standard Chartered has become the largest foreign bank in the country.

Table 3: Foreign Commercial Banks (FCBs) operating in Bangladesh

Foreign Commercial Banks (FCBs)	
Name of the Bank	Date of Incorporation
Grindlays Bank	1905
Standard Chartered Bank	1948
State Bank of India	1975
Habib Bank Ltd.	1976
Muslim Commercial Bank	1994
National Bank of Pakistan	1994
CITI Bank, N.A.	1995
American Express Bank Ltd.	1996
HSBC	1996
Shamil Islami Bank	1997
Credit Agricole Indosuez	1997
Hanvit Bank	1999
Commercial Bank of Ceylon	2001

Source: Bangladesh Bank

2.1.4. Development Financial Institutions or Banks (DFIs)

Development Financial Institutions or Development Banks are the Specialized Banks. Currently there are five (5) Development Banks are operating in the economy. DFIs are the Specialized Banks that deal with specific sectors or industry of an economy. For instance, Bangladesh Krishi Bank (BKB) only deals with the agricultural sector of the economy; Bangladesh Shilpa Bank (BSB) only deals with the industrial sector of the economy, etc.

Table 4: Development Financial Institution (DFIs) operating in Bangladesh

Name Of Bank	Date Of Incorporation
Development Banks	
Bangladesh Krishi Bank (BKB)	1972
Bangladesh Shilpa Bank (BSB)	1972
Bangladesh Shilpa Rin Sangstha (BSRS)	1972
Rajshahi Krishi Unnayan Bank (RKUB)	1987
Bank of Small Industries & Commerce Bangladesh Ltd.(BASIC)	1988

Source: Bangladesh Bank

2.2 Current Status of the Banking Industry

The Banking Industry of Bangladesh at present is in the growth stage. From the Year 1995 till now almost every year new private banks are coming up, new branches are opening within two to three months, and new customers are coming to open an account in different banks

Table 5: Banking System Structure for the year 2003

(billion taka)

Bank Types	Number of Banks	Number of Branches	Total Assets	% of Industry Assets	Deposits	% of Deposits
NCBs	4	3397	631.6	41.7	525.0	46.0
DFIs	5	1314	154.5	10.2	62.6	5.5
PCBs	30	1510	617.8	40.8	468.2	41.1
FCBs	13	32	110.1	7.3	84.5	7.4
Total	52	6253	1514.0	100	1140.3	100

Source: Web Edition of Asian Development Bank Statistics 2004-05

Table 6: Banking System Structure for the year 2004

(billion taka)

Bank Types	Number of Banks	Number of Branches	Total Assets	% of Industry Assets	Deposits	% of Deposits
NCBs	4	3388	683.7	39.6	567.5	42.8
DFIs	5	1328	167.9	9.7	75.1	5.7
PCBs	30	1550	749.3	43.5	588.0	44.3
FCBs	13	37	124.6	7.2	95.5	7.2
Total	52	6303	1725.5	100	1326.1	100.0

Source: Web Edition of Asian Development Bank Statistics 2005-06

2.3 Market Size and Market Growth Rate

Market size of an industry can be measured by many ways, such as Total Revenue, Volume of production number of customers and so on. However, in case of the Banking sector the measurement of market size is quite peculiar as both the total amount of deposits and advances are taken into consideration.

The following tables are provided to incorporate the information regarding branches:

Table 7: Branches of Private Banks

Year	No. of Branches	Percentage of the Total Branches
1985	632	13%
1995	1016	18%
2005	1416	7.2%

Source: Web Edition of Asian Development Bank Statistics 2005-06

Table 8: Area Wise Distribution of Bank Branches

	Urban	Rural	Total
NCBs	21.99 %	37.36 %	59.35 %
DFIs	2.45 %	17.15 %	19.60 %
FCBs	0.56 %	0 %	0.56 %
PCBs	15.22 %	5.27 %	20.49 %
All Banks	40.22 %	59.78 %	100 %

Source: Scheduled Bank Statistics, Bangladesh Bank, 2003-2004

The private sectors banks in Bangladesh seem to be very aggressive in collecting deposit and providing advances. Deposit of these banks increased significantly during the period of 1985-2004 but the growth rate came down in recent years as compared to early years.

Table 9: Deposits by Category of Banks (Amount in million Taka)

Year	NCB	SB	PCB	FCB	Total
1997	254,540	20,110	114,230	21,240	410,120
1998	277,560	21,330	129,720	27,370	455,980
1999	307,380	25,530	135,450	31,220	499,580
2000	342,390	29,660	155,180	41,940	569,170
2001	375,790	38,170	188,730	48,240	650,930
2002	400,662	44,880	222,300	60,256	728,098
2003	435,225	48,580	255,690	72,480	811,975

Source: Scheduled Bank Statistics, Bangladesh Bank, 2003 -04.

No financial system can operate if banks do not function according to commercial criteria. While supervisory and regulatory measures can help in this regard, on their own they will not be enough. They must be accompanied by a Government commitment, publicly announced and backed at the highest political level, that banks will be allowed to operate without any direct Government interference in their commercial decisions and that banking laws and financial discipline must be rigorously enforced without regard to persons. Implementation of reforms may involve pain and costs. But experience elsewhere in the world suggests that the longer the delay, the greater the pain, sacrifice and costs.

Table 10: Advances by Category of Banks (Amount in million Taka)

Year	NCB	SB	PCB	FCB	Total
1997	182,580	59,910	87,630	18,560	348,680
1998	208,620	65,370	101,280	20,410	395,680
1999	234,480	67,200	111,970	23,780	437,430
2000	260,280	91,310	130,310	27,520	509,420
2001	278,660	97,360	157,690	30,260	563,970
2002	290,800	101,450	181,380	32,980	606,610
2003	312,400	106,580	201,450	35,120	655,550

Source: Scheduled Bank Statistics, Bangladesh Bank, 2003 -04.

ORIENTATION TO THE ORGANIZATION

3.1 Standard Chartered Bank (SCB): A Brief Orientation

Standard Chartered Bank (SCB) is the world's leading emerging market's bank, employing over 40 thousand people, representing more than 80 nationalities, across 56 countries in Asia Pacific, the Subcontinent, the Middle-East, Africa, Latin America, United Kingdom and United States. SCB is operating in over 1200 locations (including subsidiaries, associates, and joint ventures) in 56 countries. SCB is well-established in growth markets and aims to be the right partner for its customers. The Bank combines deep local knowledge with global capability. The Bank is trusted across its network for its standard of governance and corporate responsibility as well as its commitment to making a difference in the communities in which they operates.

As a focused and disciplined bank, Standard Chartered concentrates on the core businesses of consumer and wholesale banking. The following quotes about Standard Chartered bank revealed what it is and what it does and why it does.

Our root lies in the emerging market where we have a strong and established presence. This gives us a unique knowledge, inside and understanding of these markets which have unmatched growth potential. We remain committed to excellence in customer service, to delivering consistently superior performance and to building shareholders value. We recognize our responsibilities to countries and communities in which we operate. Our values are based on trust, teamwork, commitment and pride of this organization.

Sir PATRIC GILLAM, Chairman

3.1.1 Historical Background of SCB

The Standard Chartered Group is an unusual banking business. Although its roots are dearly British, its area of operations, its network and indeed its profit stream are overwhelmingly international. The name Standard Chartered comes from two original banks from which it was founded. One of the banks is the **Chartered Bank of India, Australia and China** and the other bank is the **Standard Bank of British South Africa**. The Chartered Bank was founded by James Wilson following the grant of a Royal Charter by Queen Victoria in 1853, while the Standard Bank was founded in the Cape Province of South Africa in 1862 by John Paterson. Both companies were keen to capitalize on the huge expansion of trade and to earn the handsome amount of profits from financing the movement of goods from Europe to the East and to Africa.

Both banks were prosperous in those early years. The Chartered Bank opened its first branches in Bombay (Mumbai), Calcutta (Kolkata) and Shanghai in 1858, followed by Hong Kong and Singapore in 1859. With the opening of the Suez Canal in 1869 and the extension of the telegraph to China in 1871, the Chartered Bank was determined to expand and develop its business. Traditional business was in cotton in Bombay, indigo and tea in Kolkata. rice in Burma, sugar in Java, tobacco in Sumatra, hemp in Manila and silk in Yokohama.

In South Africa, the Standard Bank established a considerable number of branches. The bank was prominent in financing the development of the diamond fields of Kimberly from 1867 and later extended its network further north to the new town of Johannesburg when gold was discovered there in 1885. Half of the output of the second largest gold field in the world passed through the Standard Bank on its way to London.

Both the banks, although they were separate entities, survived the First World War and the Depression, but were directly affected by the wider conflict of the Second World War in terms of loss of business and closure of branches. There were also long-term effects for both banks as countries in Asia and Africa gained their independence in the 50s and 60s.

Each bank acquired other small banks along the way and spread their networks further- In 1969, the decision was made by both the banks to undergo a friendly merger. They decided to counterbalance their network with expansion in Europe and US- Further expansion also took place in Standard Chartered bank's traditional markets in Asia and Africa. All appeared to be going well, but a hostile takeover bid was made for the Group by Lloyds Bank of UK in 1986.

When the bid was defeated, Standard Chartered Bank entered into a period of change. Like many British banks, provisions had to be made against third world debt exposure and loans to corporations and entrepreneurs who could not meet their commitments. Standard Chartered Bank began a series of divestments notably in the US and South Africa and entered into a number of asset sales. In mid 1993, Sir Patrick Gillam became Chairman and he made two points dear. Firstly, Standard Chartered Bank would grow and develop its strong franchises in Asia, the Middle East and Africa using its operations in the UK and North America to provide customers with a bridge between these markets. Secondly, it would focus on customer, corporate and institutional banking, and on the provision of treasury services- areas in which the Group had particular strength and expertise.

3.1.2 The Global Operating Regions of Standard Chartered Bank

The Standard Chartered Group is operating in 48 countries in various extents. These countries are grouped into 5 regions based on their locations and business core focus.

1 Asia Pacific: 17 countries are included in this region – Australia, Brunei Darussalam, Cambodia, China, Hong Kong, Indonesia, Japan, Laos, Macao, Malaysia, Myanmar, Philippines, Singapore, South Korea, Taiwan, Thailand and Vietnam.

2 Africa: 11 countries are included in this region – Botswana, Cameroon, Gambia, Ghana, Kenya, Sierra Leon, South Africa, Tanzania, Uganda, Zambia and Zimbabwe.

3 Latin America: 6 countries are included in this region – Argentina, Brazil, Colombia, Mexico, Peru and Venezuela.

4 Middle East and South Asia (MESA): 10 countries are included in this region – Bangladesh, Bahrain, India, Iran, Nepal, Oman, Pakistan, Qatar, Sri Lanka and United Arab Emirates (UAE).

5 UK and USA: 4 countries are included in this region – Falkland Island, Jersey, United Kingdom (UK) and United States of America (USA)

3.1.3 Establishment of Standard Chartered Bank around the world

Table 11: Establishment of Standard Chartered Bank around the world

Country	Year Established	Country	Year Established
United Kingdom	1853	Australia	1964
China, India, Sri	1858	Mexico, Oman	1968
Hong Kong,	1859	Peru	1973
Indonesia, Pakistan	1863	Jersey	1978
Philippines	1872	Brazil	1979
Malaysia	1875	Venezuela	1980
Japan	1880	Falkland Islands,	1983
Zimbabwe	1892	Taiwan	1985
The Gambia, Sierra	1894	Cameroon	1986
Ghana	1896	Nepal	1987
Botswana	1897	Vietnam	1990
USA	1902	Cambodia, South	1992
Bangladesh	1905	Iran	1993
Zambia	1906	Colombia	1995
Kenya	1911	Laos, Argentina	1996
Uganda	1912	Nigeria	1999
Tanzania	1917	Lebanon	2000
Bahrain	1920	Cote d'Ivoire	2001
Jordan	1925	Mauritius	2002
Korea	1929	Turkey	2003
Qatar	1950	Afghanistan	2004
Brunei, UAE	1958		

Source:www.standardchartered.com

3.1.4 Strategic Alliances and Acquisitions

3.1.4.1 Acquisition of ANZ Grindlays Bank

In August 2000, the US\$1.34 billion acquisition of Grindlays Bank was completed. This made the Standard Chartered Bank the leading international bank in India and the other countries of South Asia. The acquisition strengthened the Group's competitive position in Middle East and brought to the group a respected private banking business.

Standard chartered Bank has taken the advantage of the expansion opportunities. Buying Grindlays from ANZ now propels it from number five to number one among international banks in India, with some choice extra footholds in the Middle East. At 1.34 billion US dollars, it is hard to complain that Standard Chartered Bank has overpaid. The financial ease is less compelling for ANZ shareholders, as there are advantages of getting out of a strategically peripheral business. This acquisition of Grindlays Bank has added 6000 employees and 4 countries to Standard Chartered Bank's existing network of 7000 employees and 570 offices in 50 countries. The end result is that Standard Chartered Bank, which went into the 1997 Asian crisis with strong business in Hong Kong, Singapore and Malaysia, emerges with additional core markets in India and Thailand.

The deal has made Standard Chartered Bank the largest foreign bank by assets in India, Pakistan and Bangladesh and the second largest in Sri Lanka and the United Arab Emirates. The bank has been seeking to expand in the region since the end of the Asian economic crisis, and has finally become successful in its expansion. The primary goal of the integration is to combine the best of both the banks, and put right people in right jobs on the basis of fairness and equitability. In September 2000, the group agreed to acquire Chase's Hong Kong consumer banking business for US\$1.32 billion, which makes Standard Chartered Bank the leader in Hong Kong cards- At that time it was also announced that the chartered Trust had been sold to Lloyds TSB for 627 million pounds.

Until September 2002, both Standard Chartered and Standard Chartered Grindlays operated under the same management but as separate entities. With **effect** from September 2002, there was not any Grindlays - only Standard Chartered Bank

3.1.4.2 Strategic Alliances and Acquisitions in 2005

2005 ushered in a historic year for SCB as it achieved several milestones with a number of strategic alliances and acquisitions that will extend its customer or geographic reach and broaden its product range.

- It completed, re branded and successfully integrated SC First Bank in Korea, which to date is the biggest acquisition in its history.
- It completed full integration between Standard Chartered Bank Thailand and Standard Chartered Nakornthon Bank in October.
- It formed strategic alliances with Fleming Family & Partners to expand private wealth management in Asia and the Middle East
- It acquired stakes in ACB Vietnam and Travelex
- It acquired the business operations of American Express Bank in Bangladesh
- It acquired a stake in Bohai Bank in Tianjin, China, making us the first foreign bank to be allowed a stake in a local bank in China.

3.1.5 Present Situation of Standard Chartered Bank (SCB)

The global strategies of Standard Chartered Bank are:

- ✓ To build and grow strong businesses in East and South East Asia- the Asia Pacific Region.
- ✓ To enhance historical position in the Middle East and South Asia region.
- ✓ To concentrate operations in those activities that support Standard Chartered Bank's remarkable franchise in newly industrialized and emerging markets.

Globally, the key resources of SCB include:

- ✓ A network of over 600 offices in 48 countries
- ✓ A staff of about 25.000 people managing assets of around 47 billion pounds
- ✓ Standard Chartered Bank's international businesses in Personal Banking, Corporate Banking and Standard Chartered Markets are its special strengths

- ✓ Standard Chartered Bank also maintains correspondent relationship with over 600 banks in 157 countries around the world.

Serving both Consumer and Wholesale Banking customers, the Bank combines deep local knowledge with global capability to offer a wide range of innovative products and services as well as award winning solutions.

3.1.6 Business Activities of Global SCB

Standard Chartered Bank operates in every Asia Pacific market with the exception of North Korea and some 60 percent of the Group's profits come from the Asia Pacific region.

Hong Kong continues to be of major importance to the group and contributes 30 percent of the total profit with around 80 branches in Hong Kong and strong representation in China, Standard Chartered- a note issuing bank in Hong Kong – is well placed to continue playing an important part in Greater China's development. A resident Group Executive Director manages the Group's business there.

Consumer banking, Corporate and Institutional Banking are managed out of Singapore each by a Group Executive Director resident in the island state. Other East Asian countries of note for the Group Malaysia, Taiwan and Thailand where, in 1999, the acquired 75 percent interest and management control in Nakornthon.

Standard Chartered is the leading international bank in Sub-Saharan Africa, operating several countries, the most prominent being Kenya, Zambia, Zimbabwe and Ghana. The Group's operations in the Gulf and south Asia are managed from Dubai.

Standard Chartered Bank provides a full range of products and services to its customers all around the world, some of which are mentioned below

- ⇒ Consumer Banking
- ⇒ Personal Banking
- ⇒ Global Corporate Banking and Institutional Banking
- ⇒ Global Custodial Service

- ⇒ International Trade Management
- ⇒ Global Cash Management
- ⇒ Global Institutional Banking
- ⇒ Global Treasury
- ⇒ Global Electronic Banking

3.2 Standard Chartered Bank (SCB) in Bangladesh

Standard Chartered Bank started its business in Bangladesh in 1905, opening its first branch in the port city of Chittagong. The bank increasingly invested in people, technology and premises as its business grew in relation to the country's thriving economy. At present the bank has 25 offices in Dhaka Chittagong and Sylhet, including the country's only offshore banking unit inside the Dhaka Export Processing Zone at Savar.

The bank opened its first branch in Dhaka in 1966 and shifted its headquarter from Chittagong to Dhaka after the birth of the Republic of Bangladesh in 1972. Today the bank has 18 branches. Among them 11 in Dhaka, 3 in Chittagong, 1 in Narayanganj, Sylhet, Khulna and Bogra respectively. The Head Office is in Hadi Mansion, 2 Dilkusha C/A, Dhaka-1000.

Bangladesh's operation is under the Middle East and South Asia (MESA) region, with the controlling office in Dubai. Its correspondent relationship exists with Sonali Bank, which give its access to the countrywide. In 1993, there was an organizational restructuring, which led to the substantial expansion of the bank's business. And after that the amount of deposit and loan has increased by more than 5 times within five years and as a whole it shows an overall increasing trend of Standard Chartered Bank's market share in terms of deposit and advances.

3.2.1 Missions of Standard Chartered Bank (SCB) in Bangladesh

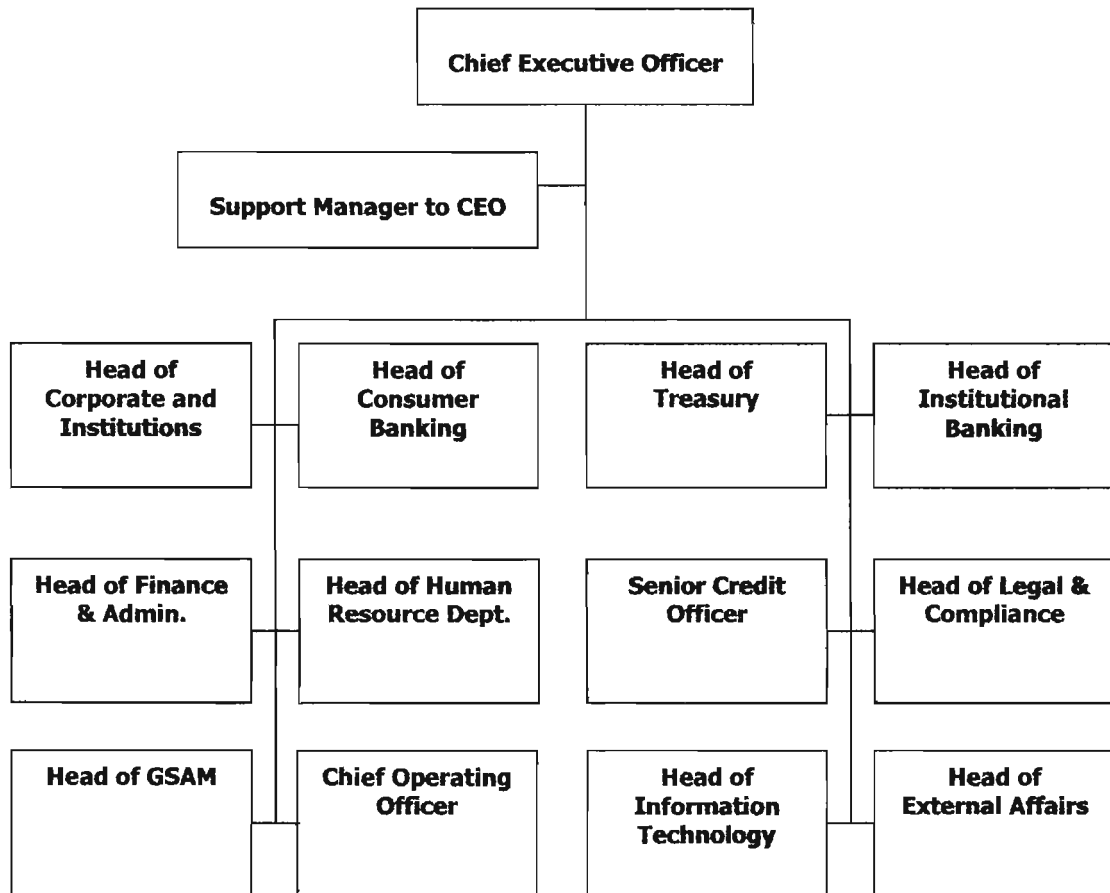
Standard Chartered Bank in Bangladesh operates with the same mission as the Group SCB subscribes to worldwide. The bank in Bangladesh has the best and dedicated human resource in the private sector banking. With an experience of 150 years, the bank has a surprising efficiency in the operational areas. The bank has a mission to build and grow on its 150 years of experience and the positive image that it has earned over the years. The underlying factor of its business mission is manifested by its five values -

- ◆ **Responsive**
- ◆ **International**
- ◆ **Trustworthy and**
- ◆ **Courageous**

As a bank, Standard Chartered gratify to the higher level of the society, its operational strategies relies on trust and confidence building with the customers and offer them the highest sense of security and confidentiality. It has a dedicated attitude towards the community in which it operates and wants to grow and flourish along with its customer and community

3.2.2 Organizational Organogram The organogram of the Standard Chartered Group's operation is depicted in the following figure:

Figure 2: Organizational Organ gram



Source: Human Resource Department of Standard Chartered Group

3.2.3 The Organization Structure

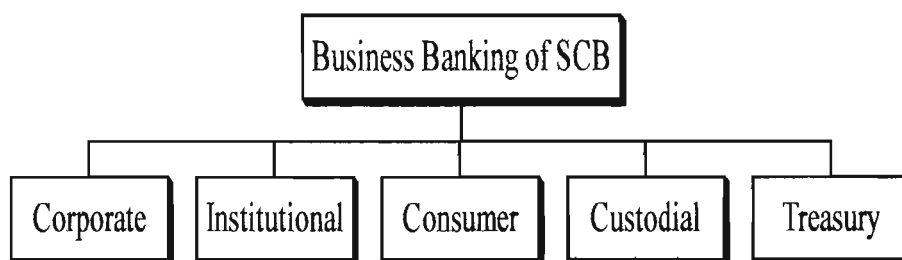
The SCB in Bangladesh has its headquarters and eleven branches in Dhaka, three in Chittagong and one branch in Sylhet, Khulna, Narayanganj and Bogra. While the full range of services is available at the headquarters, other branches offer specific services appropriate for the location. At the headquarter, the bank mainly consists of two divisions:

- ✓ Business
- ✓ Support

The Business Division has the following departments:

- ▶ Corporate Banking Group (CBG)
- ▶ Treasury (TSY)
- ▶ Institutional Banking Group (IBG)
- ▶ Consumer Banking (CB) Custodial Services (CUS)

Figure 3: Business Banking of SCB



Source: Corporate Banking, SCB

SCB is primarily corporate driven. More than the corporate banking generates 40% of its revenue group while Treasury contributes more than 20% to the overall revenue. The rest is generated from Personal Banking, Custodial Services and Institutional Banking.

The Support division provides assistance to the above business activities and consists of the following departments

- Operations
- Finance, Administration and Risk Management
- Information Technology Center
- Human Resource Department
- Legal and Compliance
- External Affairs
- Credit

Figure 4: Support Division of SCB



Source: Human Resource Department of Standard Chartered Group

3.2.4 The Elaboration of the Functional Areas

3.2.4.1 Business Division

The business division includes the following departments:

Corporate Banking Group

Standard Chartered Bank offers its local customers a wide variety of financial services. All the accounts of corporate clients, which mainly comprise the top local and multinational companies operating in Bangladesh, are assigned a Relationship Manager (RM) who maintains regular and close contact to cater to their needs. The objective of this department is to maintain a thorough knowledge of the client's business and to develop positive relationships with them. This is maintained through interactions to offer timely advice in an increasingly competitive business environment. The expertise of the

Institutional Banking and Treasury groups is also available whenever required. The Corporate Banking Group in Bangladesh has displayed a spirit of community involvement by working with NGOs to underwrite soft loans. Standard Chartered Bank offers its corporate customers:

- The wide varieties of lending needs are catered to with skilled and responsive attention.
- Project finance and investment consultancy.
- Syndicated loans.
- Bonds and Guarantees.
- Local and International Treasury products.

Trade finance facilities including counseling, confirming export L/Cs and issuing of import L/Cs, backed by its international branch and correspondent loan network Bond and Guarantees Project finance opportunities for import substitution and export oriented projects.

Institutional Banking Group

The Institutional Banking Group of Standard Chartered Bank offers a wide variety of products and services to banks and financial institutions. It has global links with leading banking institutions and agency arrangements through its network of offices in 40 countries. The bank offers a full range of clearing, payment collection and import-export handling services. The bank offers foreign missions, voluntary organizations, consultants, airlines, shipping lines, and their personnel the following financial services:

- ✓ Current accounts in both Taka and other major foreign currencies
- ✓ Convertible Taka accounts (these funds are freely convertible to major international currencies)

Consumer Banking Division

Superior retail banking services comprising a wide range of deposit and loan products are offered by Standard Chartered Bank to its individual customers. The Consumer Banking division constantly faces challenges and meets them by developing new products and

services to fulfill the specific requirements of local and foreign customers. Bank offers a 24-hour service in Bangladesh through its Moneylink ATM network and Phone-link Phone Banking services.

Custodial Service

Headquartered in Singapore, Standard Chartered Equator fulfills the group's strategic commitment to the provision of custodial service in Asia. Equator's customers are primarily foreign global custodians and broker/dealers requiring cross border information as well as sub-custodian services. Standard Chartered Bank, Bangladesh is responsible for the planning in Bangladesh, but the overall management of the custody business is based on Equator's international business strategy.

Treasury Division

The foreign exchange and money market operation of the Standard Chartered Bank in the world is extensive. Exotic currencies happen to be one of its special areas of strength. A 24 hour-service is provided to customers in Bangladesh through the Bank's network of dealing centers placed in the principal of the world. The Bank's treasury specializes in offering solutions to those who wish to manage interest rate and currency exposures that result from trade, investment and financing activities of other dynamic economies of the region. Treasury operations are developed in line with changing market conditions to provide the best services to its customers. According to BAFEDA (Bangladesh Foreign Exchange Dealers Association), Standard Chartered Bank presently controls 42% of the local foreign exchange market's traded volume.

3.2.4.2 Support Division

Major support units of Standard Chartered Bank are:

Operational Division

Operations are part of the support division, which helps to run the businesses of the bank in a smooth and controlled manner. Since it helps mainly in processing the works of the

IT Department

This department is instrumental in the running of all computerized operations of the bank. They help in the implementation and generation of computerized reports. Another major duty of the department is to maintain communication with the rest of the world.

Human Resources Division

This department manages a recruitment, training and career progression plan. Standard Chartered Bank highlights the importance of developing its people to create a culture of customer service, innovation, teamwork and professional excellence.

Legal and Compliance Division

In the UK, Standard Chartered Bank is regulated by the Bank of England, while in Bangladesh local banking laws regulate it and rules set by the Ministry of Finance and Bangladesh Bank. It also encourages its staff to conform to an internal culture of ethical behavior and sensitivities to the culture and religion of the country.

External Affairs Division

This department deals with advertising, public relations, and promotions, partial marketing which involves disseminating new products and services to customers and above all ensuring service quality.

Credit and Collections

The Credit Department approves the loans of Corporate Banking Division. The approval is mainly based on the risk analysis of the corporate clients done by the Corporate Banking Divisions.

ORIENTATION TO THE MORTGAGE LOAN OF SCB

4.1.1 Urban Housing Needs in Bangladesh:

Urbanization in Bangladesh is undergoing terrific growth phase throughout the last two decades. Two most dominant elements of this rapid growth of urbanization are population growth and rural-urban migration. One statistics was raised in *REHAB-CPD Dialogue on Housing Sector*, which showed that each Friday around around 10, 000 couples get married in Bangladesh and it can be expected that in a ninth month period there will be 10,000 new children coming. This could be a tiny scenario of rapid growth of population in Bangladesh. Traditionally this is been a such a country where all the development activities and job sectors are located around the urban areas so more and more people are migrating from rural areas to urban areas for the search of jobs, on the look out for a better life and education. Thus the numbers of city dwellers are increasing almost every moment. Another statistics from *REHAB CPD Dialogue on Housing Sector* tells us that Bangladesh will need to construct approximately 4 million new houses annually to meet the future demand of the next twenty years where as the estimates for annual requirements for housing in urban areas vary from 3 lakh to 5.5 lakh units. By the year 2015, 34 per cent (75 million) of the population of the country will live in urban areas and where as the capital city Dhaka will alone accommodate 19 million people of the entire urban population. This information can give us partial idea about the huge housing requirements of the urban areas. In actuality they are more than it can be seen. When we think about housing the first impression comes to our mind that one house will accommodate two or three families. But now due to the extreme dearth of open spaces in the major cities specially in Dhaka, one house is not only the dwelling of few families its now separated in many different units and conventional houses now turning into the form of apartments. Due to the rapid increase in population of Dhaka city, Scarcity of open space in the important areas, increasing price of lands, hazards of construction of buildings, most residents of the capital city now switching to Apartment Housing rather than the conventional housing. Realizing the extreme needs of housing in the urban areas specially targeting the capital city real estate companies started constructing apartment

projects in the late seventies, and at present more than 250 real estate companies are working in the country under one umbrella association named 'Real Estate and Housing Association of Bangladesh' (REHAB).

According to a press release in March 2005, by the REHAB President --

- Demand for new flats in Dhaka stands at around 60,000 units per annum
- Dhaka needs another 200,000 units for replacement of old units and clearing backlogs annually)
- REHAB has so far delivered a total of 50,000 apartment units to buyers from 1985 to 2004
- REHAB is now providing about 6,000 flats to buyers annually in Dhaka city
- No of Plot units Delivered by the Developer per year: 4000-5000 units
- No of Apt. units Delivered by the Developer per year (2004): 5000-6000 units

Certainly there is a huge need of housing in Dhaka, every year and developers are trying to meet up these substantial requirements, but very few city dwellers are capable to purchase these apartments by their own, most of them need financing from the financial institutions to be a owner of an apartment. Delta Brac Housing (DBH) Finance Corporation, National Housing Finance and Investment Limited, Industrial Development Leasing Company (IDLC) are the dominant private housing finance companies of the country. Apart from those, private sector commercial banks are playing a significant role in the field of present urban housing finance of the country.

4.1.2 What is Mortgage or Housing Loan?

A Mortgage or housing loan is inherently different from any other retail loan. This is because a house is probably the single largest investment a person makes in his/her lifetime. It has been noticed that a customer seeking a housing loan does not just require finance – they also need ancillary services like loan counseling or legal advice to ensure the title of the property is clear or technical advice to ensure that the structural aspects of the property are in order. It is these add on services that distinguish the caliber of services rendered. The typical mortgage borrower of South Asia belongs to the upper or middle class, is of an average age of 35-40 years, typically a first time home buyer and by and large a salaried employee.

4.1.3 Mortgage or Housing Loan in Bangladesh:

In advanced countries this is popularly known as mortgage loan with repayment periods ranging between 25 and 30 years with a low rate of interest. In our country, this facility is better known as House Building Loan (HBL) with a repayment period of a maximum of 15 years, bearing normal interest rates as applicable to commercial or industrial loans. High interest rate and short repayment period are two stumbling blocks in popularizing this type of loans, though housing is a basic need like food and clothing. We noticed some changes in this loan service after independence of Bangladesh. Prior to independence, housing loan was considered essentially a product of Development Bank only and commercial banks were restricted to offer such facilities. This is evident from Credit Restriction Circulars of Central Bank of those days. After independence, Dhaka City, being the national capital, witnessed a very high demand for housing and personal savings of entrepreneurs were too little to meet this demand. To meet this urgent need, central bank not only withdrew restrictions, but also fixed a target for the commercial banks to allocate at least 1% (later on increased to 1.5%) of their time and demand liabilities for housing loans. This is how a new product was added to the service range of commercial banks. And from the end of the year 2005, Bangladesh Bank has directed banks to allocate for house building 10 percent of their total loan portfolio, before that the banks could give house building loans up to 10 percent of their total consumer credit. Banks now provide large term loans to developers for constructing shopping or housing

complex. These are Housing Development Loans. Personal housing loans are also available for purchasing apartments. Loans for purchasing shops may be termed as commercial loan. Hence, there exists a variety of loan products in the housing sector alone. In spite of dramatic change in the policy and outlook of banks, housing loan coverage is still very low. As the loan is highly secured by mortgage of property, banks are looking for opportunities to expand their market.

| Mortgage |

The Home Loan

4.2 Standard Chartered Mortgage – The Home Loan:

March 24, 2005 was the day when Standard Chartered Bank (SCB) Bangladesh, had formally written its name in the history of Housing Finance of the country. Oliur Rahman, a resident of Uttara, was the first customer of the bank, who got the bank's mortgage loan. The bank launched its home loan scheme in the January 2005. Initially under the scheme, the bank's mortgage loan offered maximum 15 years repayment period and required no cash security or third party guarantee with an interest rate of 11.5 per cent. At present the rate of interest has changed to 13.5% keeping the above facility same. Under Mortgage, Standard Chartered offers four kinds of products:

 **Home Loan (HL)**

 **Home Credit (HC):**

 **Life Style Loan (LSL):**

 **Take Over Loan (TO):**

4.2.1 Main Targeted Financing Area of Standard Chartered Mortgage:

Though under mortgage facility SCB delivers diversify financing but the most important financing under this product is the financing in the purchase of new apartments by the individual customers which are constructed by the developers of the country. So the most significant target market for SCB Mortgage is financing in real estate apartments. There are more than 250 developers are working under the supervision of REHAB and according to REHAB these developers providing more than 6000 flats per annum only in the capital city. So there is a huge lucrative financing area has been providing by the real estate companies to the commercial banks and other privately owned housing finance institutions. For Standard Chartered Mortgage this is the first and most important target market.

4.2.2 The Real Estate Market Segmentation in Dhaka City:

The market of real estate business sector is highly segmented. This segmentation is mainly based on the location, price of the land, and size of the apartments. The segmented areas are:

- a) Segmentation - 1: Baridhara, Gulshan, Banani, DOHS, Uttara
- b) Segmentation - 2: Dhanmondi
- c) Segmentation - 3: Segunbagicha, Shantinagar, Kakrail, Malibagh, Kalabagan
- d) Segmentation - 4: Mirpur
- e) Segmentation - 5: Old Town of Dhaka City
- f) Segmentation – 6 :(For office building) Motijheel, Dilkusha, Fakirapool DIT Extension Road, RK Mission Road, Shahidbagh, Kawran Bazar, Pantha Path etc.

Source: *Bangladesh info.com*

4.2.2.1 Places in Dhaka City where Residential and Commercial projects by the Developers has been congregated:

Dhanmondi; Gulshan; Banani; Eskaton; Siddeshawari; Panthapath; Baridhara; Elephant Road; Mirpur Housing Estate, Mirpur; Dilkusha C/A; Kakrail Rd.; Malibagh; Lalmatia; Indira Road; Pallabi, Mirpur; Old Airport Road; Farmgate; Inner Circular Road; Mohakhali; Ashulia, Savar; Kalikair, Gazipur.

Source: *Bangladesh info.com*

4.2.2.2 Types of constructions by the Real Estate Companies in Dhaka City:

The development projects for apartments and residential purposes range from Duplex Home, Triplex Home, Penthouse, Luxury Home, Furnished Apartment, Unfurnished Apartment, to Condominium and Vacation-Resort Property. Commercial projects includes Industrial Shed, Agro Farm House, Warehouse / Godown, Commercial Space, Industrial space, Office Building, Office Suite, Furnished Office, Commercial Showroom, Exquisite Office, Industrial Park, Factory, Lofts, Shopping Center, etc.

Source: *Bangladesh info.com*

4.2.3 Customer Segmentation of SCB Mortgage:

SCB has identified four types of Mortgage Loan Customers considering their profession and source of income.

Segment 1 Salaried Persons. This segment consists of salaried employees of multinational organizations, middle to large corporate bodies, supranational entities, government offices, private organizations.

Segment 2: Self Employed Professionals. This segment consists of self-employed professionals (Doctors, Architects, Consultants, etc.)

Segment 3: Businessmen. This segment consists of experienced businessmen who maintain satisfactory banking transaction and having good asset back up.

Segment 4: Land Lord. This segment consists of land lords with stable rental income having reflection in account.

Minimum Income:

- BDT 25,000 for Salaried Employees
- BDT 35,000 for Businessmen
- BDT 35,000 for Self-employed Professional

Minimum Age:

- 30 Years for Primary Applicant
- 25 Years for Secondary Applicant

Maximum Age: Retirement age or 60 years less loan term, whichever is earlier


Work Experience: At least 3 years of service/professional/business track records.

Condition:

Applicants as salaried persons must have crossed their probation period and a permanent employee of the organization.

Residing Area for the Customer: Customers must reside within the metropolitan areas of Dhaka City and Chittagong.

4.2.4 Important Features of Standard Chartered Bank (SCB) Mortgage – The Home Loan:

 **Land Type for SCB Mortgage:** Financing apartment or houses built on any Leasehold and Freehold Land.

Following lines depict important features of the four different types of Mortgage Product currently SCB offering in the market.

 **Home Loan (HL):**

- Purpose: Purchasing apartments for residential purpose
- Maximum Loan: BDT 6000000 (Maximum Loan Amount up to 70% of the property value, whichever is lower)
- Minimum Loan : BDT 500000
- Maximum Tenure: 180 Months / 15 Years
- Minimum Tenure : 36 Months / 3 Years
- Rate of interest : 13.5 %
- Mode of Disbursement: Pay order in favor of the vendor



Home Credit (HC):

- Purpose: For purchase subsequent properties for investment like,
 - Buying another apartment / house (complete / under construction on lease hold / private land)
 - Construction or extension of own house
 - House Renovation
- Maximum Loan: Up to 60% of mortgage property value
- Minimum Loan : BDT 500000
- Maximum Tenure: 120 Months / 10 Years
- Minimum Tenure : 36 Months / 3 Years
- Rate of interest : 13.5 %
- Mode of Disbursement: Pay Order in favor of the vendor

Life Style Loan (LSL):

- Purpose: To meet urgent daily life expenses. By mortgaging existing apartments one can avail loan for the following purpose:
 - Purchase of furniture, electrical and electronic home appliances
 - Education expenses for the children
 - Emergency medical expenses
- Maximum Loan: Up to BDT 1000000 or 40% of mortgaged property, whichever is lower
- Minimum Loan : BDT 500000
- Maximum Tenure: 120 Months / 10 Years
- Minimum Tenure : 36 Months / 3 Years
- Rate of interest : 14.5 %
- Mode of Disbursement: Pay Order in favor of the client

Take Over Loan (TO):

- Purpose: Transfer loan from current institutions to Standard Chartered Bank.

4.2.5 Documentation and Security Requirements:

4.2.5.1 Documents:

Common Documents

1. Complete Application Form
2. Latest One Year Personal Bank Statement
3. Latest Tax Clearance Certificate
4. CIB Undertaking (Form attached with the Application Form)
5. Photocopy of Passport/Voter ID Card/ Certificate reflecting DOB & Address
6. Personal Loan Sanction Letter & Loan Statement from existing lender (if any)
7. Evidence of other income
8. Photocopies of documents of other fixed assets
9. Income of Co-Applicant (if any)

Documents for Salaried Applicant:

1. Salary certificate as per SCB format (format attached with application form)
2. Photocopy/Original pay slip
3. Latest one year Salary statement account

Documents for Sole Proprietorship Applicant:

1. Trade License (Current year and last two Years)
2. Latest Tax Clearance Certificate in the name of Proprietor/Company
3. Latest Offer Letter for OD/CC/TR/Hypo/Projects loan account
4. Latest One year bank statement in the name of the company
5. Latest One year bank statement in the name of the client/company

Documents for Partnership/Limited Company:

1. Trade License (Current year and last two years)
2. Latest Tax Clearance Certificate in the name of Partner/Director/Company
3. Latest Offer Letter for OD/CC/TR/Hypo/Projects loan account

4. Latest One year bank statement in the name of the company
5. Registered Partnership Deed (for Partnership)
6. Latest Offer letter in case of other credit facility in the name of the client / company
7. Memorandum & Articles of Association attested by JSCL (For Limited Company)

Documents for Self Employed / Professional:

1. Certificate of Professional Degree
2. Certificate of Membership with respective professional Association

Documents for Landlord:

1. Copy of Ownership
2. Photocopy of Municipal Tax
3. Copy of Rental Agreement

Property Detail:

1. Property Selected
2. Deed of Agreement between Buyer & Seller
3. Name of Builder or Seller

Charge Documents: Before disbursement, the customer has to complete and sign the following charge documents:

- Demand Promissory Note
- Letter of Continuation
- Letter of Lien and Set-Off over deposit A/C (For FDR)
- Irrevocable Letter of Authority
- Memorandum of Deposits of Movable Assets as Securities (For WEDB or ICB Unit Certificates)
- Banking Arrangement Letter (A Copy is Delivered to the customer by Sales Unit)
- Most Important Document (MID) (A Copy is delivered to the customer by sales unit)

CIB Undertaking: Moreover the customer has to sign in the appropriate blocks in the application form and completed Credit Information Bureau (CIB) Undertaking Form.

4.2.5.2 Security Requirements:

The Customer has to provide the following securities to the bank in the addition to the charge documents before disbursement of the Loan:

Undated Cheque (UDC): Security (if any) amount will be deducted from loan amount to derive the amount to be written in UDC.

Post- dated Cheque (PDC): PDC for each installment has to be provided if other bank account is assessed for income determination.

Fixed Deposit Reserve: As per the security ratio specified for cash secured Mortgage Loans.

The FDR is encashed with interest on closing of the loan. UDC and remaining PDC (if any) are returned to the customer through branch banking.

4.3 Two Major Competitors of SCB in Mortgage:

From the present apartment financing market it can be said that the two dominant competitors are Delta Brac Housing (DBH) Finance Corporation, Industrial Development Leasing Company (IDLC). Here basically we have tried to focus on the mortgage or home loan services they are currently providing in the market similar to the services offered by Standard Chartered Mortgage.



4.3.1 **Delta Brac Housing Finance Corporation Ltd. (DBH) – A**

Brief Orientation to the Organization:

(DBH) is the pioneer, the largest and the specialist Housing Finance Institution in the private sector of the country. After a long period of preparation, DBH was licensed as a Non-Bank Financial Institution by the Bangladesh Bank and started its operations in 1997/98. After commencing operation in the early 1997, the company has registered commendable growth in creating home ownership among more than 7,500 families in Dhaka and other major cities of the country. At the same time, the company has been playing an active role in promoting the real estate sector to the large cross sections of prospective clients who had but yet unfulfilled dream of owning a sweet home. Its initial paid up capital of Tk.200 million was subscribed by both national and international sponsors as follows:

- ✓ Delta Life Insurance Co. Ltd., the leading life insurance company in the private sector of the country - 25 percent
- ✓ BRAC, The largest national NGO of the world, having deep presence in the country and contributing in the socio-economic development of the country - 25 percent
- ✓ Green Delta Insurance Co. Ltd., The leading and pioneer general insurance company in the private sector of the country - 20 percent
- ✓ International Finance Corporation (IFC), the private sector arm of the World Bank Group. Both local and foreign shareholders come together with an objective to channel resources into providing finance for the people' basic need for shelter, enhance housing stock of the country and promote affordable home ownership. Contributed 15 percent
- ✓ Housing Development Finance Corporation Ltd. of India (HDFC), A pioneer in the area of private sector housing finance in India and the most successful housing finance institution in the South Asia bring to DBH technological and business

expertise making the proper recommendations in relation to products, policies, systems and procedures. Contributed 15 percent.

IFC has also offered 10 year loan guarantees for loans from local banks up to \$2.5 million since the inception of its operation. HDFC, which is the largest and most successful mortgage lender in India, offers technical assistance in the initial stage to get the company off to an efficient start. Management of the company is young, professional and energetic. Initially it was difficult to find local investors in the company since the housing sector in the country, dominated by the Bangladesh House Building Finance Corporation (BHBFC) does not have a strong repayment track record. Moreover, new housing finance companies have to compete with BHBFC for the same higher income market niche, at least initially. BHBFC has access to lower cost funds, which allows it to have lending rates below market, while at the same time it does not incorporate the risks of default and bad loans in the same way private firms would. These factors increase the perceived risk to investors in private housing finance companies.

Products offered by DBH:

✍ DBH Home Loan

✍ DBH Deposits

✍ DBH Property Services

✍ DBH Home Owners Family Loan

✍ Flexi Plus

✍ DBH Loan Protection Insurance

Loan Products offered by DBH is broadly categorized into two segments:

Loan for Individuals

Loan for Corporate Sector

Loan for Individuals: Following facilities are virtually covered by the present DBH

Mortgage Home Loans for Individuals:

- Construction of houses
- Purchase of flats or houses
- Extension and improvement of existing houses or flats
- Purchase of housing plots

DBH Home Loan: The core product of DBH is the Home Loan for individual client.

There are two types of Home loans – Fixed Rate Home Loan (FRHL) Scheme and Adjustable Rate home Lone (ARHL) Scheme.

✓ Purpose:

- To purchase apartments/flats
- To construct own houses
- To extend existing houses
- To repair and renovate existing houses/flats
- To purchase housing plots from recognized Land Developers
- To acquire professional chamber / office space by recognized institutions and professionals

✓ Maximum Loan:

DBH lends up to a maximum of Tk. 20, 00,000 to an individual. One can avail of a maximum of up to 80% of the construction cost or 70% of the purchase price as determined by DBH

✓ Repayment Period:

One can repay the loan over a maximum period of 15 years. Repayment will ordinarily not extend beyond his or her age of retirement (if the borrower is employed) or on his or her reaching 65 years of age, whichever is earlier. However, DBH decides the term of loan in consultation with the applicant.

✓ Basis of DBH Home Loan Sanction:

Monthly repayment capacity of the individual Client. Spouse's income and/or other income can also be considered and clubbed together.

✓ Repayment:

By Equal Monthly Installments (EMI) comprising principal and interest to be paid in the form of Post Dated Cheques.

✓ Prepayment of Loan:

Prepayment is allowed, but conditions apply. The unique benefit of DBH Home Loan is that after every partial prepayment, the installment and the remaining term of loan can be re-fixed at the convenience of the clients and according to the policies of DBH.

✓ Security:

Registered Mortgage of the property financed. Additional/alternate collateral security may be required on a case to case basis.

- ✓ Joint Applicant: Possible, Joint owners of the property proposed to be mortgaged against loan from DBH will have to be co-applicants. However, the spouse need not be a co-owner to be a co-applicant.

DBH Home Owners family Loan:

This is an "Any Purpose Consumer Loan" option for the discerning Customers, which is secured by Registered Mortgage of the owner-occupied Property. This product gives customers an unique opportunity to encash their valuable investment in a self-dwelling property unit without having to dispose it off.

- ✓ Purpose: DBH Home Owners Family Loan can be availed for any of the following purposes of Consumer Spending:
 - Purposes of home improvement / interior decoration etc.
 - Purchase of Consumer Durable Items, e.g. Car, Electrical Appliances, Home Appliances, Furniture, Computer & Accessories etc. etc.
 - Children's Education Purposes -- at home and abroad
 - Traveling purposes
 - Marriage and related expenditures
 - Refinance of other loans
 - Any other legal purpose.

- ✓ Maximum Loan: Maximum Loan amount would be more than banks lending amount of 4 to 5 times of the Gross Salary of the Clients.

- ✓ Repayment Period: DBH Home Owners Family Loan can be availed for a maximum period of 15 Years.

- ✓ Repayment: By Equated Monthly Installments (EMI) comprising principal and interest to be paid.
- ✓ Security: Deposit of original title deeds (Registered Mortgage) of the self-dwelling property.

DBH Flexi Plus Home Loan:

Under the DBH Flexi Plus Home Loan schemes, borrower decides to repay the loan depending on his/her plan and convenience and foreseeing the upcoming situations at various phases of the loan tenure. If the Clients need a higher amount of loan but do not have the income to service the high installment at the moment but his/her income is likely increase in future, then the borrower can choose to pay smaller EMIs in the earlier years and gradually increase the size of the loan installments with the increase of their income later years. On the other hand, this may also be applicable in cases where with the present income there are some other family needs to be fulfilled beside the repayment of home loan. Conversely, if the borrower's present income flow enables him / her to pay more now and if his / her income is likely to fall in the coming years then the Clients can also chose to pay larger size of installments during the initial years, and reduce the size of the installments with any potential decline in their income in future. This repayment facility would best suit if the borrower would retire within the loan tenure.

The logo for IDLC (Industrial Development Leasing Company) features the letters 'IDLC' in a bold, serif font. The letters are white and set against a dark, textured background that resembles a map of Bangladesh.

A Multiproduct Financial Institution

4.3.2 Industrial Development Leasing Company (IDLC) – A Brief Orientation to the Organization:

IDLC is a multiproduct financial institution, established in 1985 with the collaboration of reputed international development agencies such as:

- Korean Development Leasing Corporation (KDLC), South Korea
- Kookmin Bank, South Korea
- International Finance Corporation (IFC) of the World Bank Group
- Aga Khan Fund for Economic Development (AKFED)
- German Investment and Development Company (DEG)

The primary goal of IDLC was to help modernize the financial services industry, by introducing modern modes of financing hitherto unknown to Bangladesh. This, we set about to do, by pioneering the launch of a multitude of financial products and services.

Leasing, initiated by IDLC, today, plays a vital role in the mid term financing of industrial and service enterprises. Over the years, IDLC has served the diverse needs of its customers with product offerings ranging from Home Loans for Individuals to Factoring and Work Order Financing for small and medium enterprises (SMEs) and services such as:

- ✓ Lease Financing
- ✓ Syndication
- ✓ Corporate Advisory
- ✓ Bridge Financing
- ✓ Underwriting
- ✓ Issue Management
- ✓ Private Placement of Stocks and Debt Instruments for Corporate Customers

Besides, under Financial Institutions Act 1993 IDLC is allowed by Bangladesh Bank to accept term deposits. Accordingly, IDLC has become the leading financial Institution that accepts deposits from

- ✓ Local and foreign corporate bodies
- ✓ Insurance companies
- ✓ Banks
- ✓ Financial Institutions
- ✓ Individuals, etc.

IDLC offers high rate of returns to its customers, probably one of the best in the country.

IDLC Home Loans: IDLC basically offers three kinds

✍ Individual House Loan Scheme

✍ Developer's Finance Scheme

✍ Corporate Finance Scheme

Here we have discussed the Individual House Loan Scheme offered by IDLC which is similar to Standard Chartered Mortgage.

Individual House Loan Scheme:

- ✓ Purpose:
 - Purchase of apartment
 - Construction of house
 - Renovation and extension of house

- Purchase / construction of house for the employees under corporate house finance scheme
 - Office chamber/space for professionals
-
- ✓ Maximum Loan: Tk.5.00 million or 70% of the price of apartment/office space/showroom, whichever is lower and Tk.5.00 million or 80% of construction/extension/repair or renovation cost of house or office, whichever is lower.

 - ✓ Repayment Period: Maximum 15 years term is offered for purchase/construction/renovation/ extension of residential apartment/ house. Maximum 12 years term is offered for purchase/construction/renovation/ extension of chamber.

 - ✓ Repayment: By Equal Monthly Installments (EMI) comprising principal and interest to be paid.

 - ✓ Security: Mortgage of the property concerned is usually the security

ORIENTATION TO THE AUTO LOAN OF SCB

| Auto Loan |

Car of Your Dream is now closer than it seems

5.1 Standard Chartered Bank (SCB) Auto Loan:

Standard Chartered has launched its Auto Loan facility in Bangladesh from 29th May 2003. And has started doing marketing formally from first day of June. SCB was the second private commercial bank and was the first foreign commercial bank which started financing in cars for personal use. Since its inception it has been operating with a goal to offer its customer flexible, affordable, and easy repayment optioned auto loan facility.

5.2 Target Market of Standard Chartered Bank (SCB) Auto Loan:

SCB has identified two types of Auto Loan customers considering their profession.

Segment 1: This segment consists of salaried employees of multinational organizations, middle to large corporate bodies, supranational entities, government offices, private organizations.

Segment 2: This segment consists of self-employed professionals and businessmen maintaining principal account with SCB for at least 6 months (preferably 12 months) and for at least 12 months with other banks.

5.2.1 Customer Eligibility:

Minimum Age: 23 years (for salaried executives) and 25 years (for self-employed individuals)

Maximum Age: 65 years

Work Experience: Minimum 1-year service experience for salaried executives & 3 years for self-employed individuals.

Business Duration: 3 Years minimum.

Nationality: Bangladeshi

Minimum net income: BDT 25,000 for both salaried individuals and self employed persons per month.

5.3 ✍ Range of Vehicles under Standard Chartered Bank (SCB) Auto Loan:

- **Brand New Car:** Car, Station Wagon, Jeep, 4-Wheeler Jeep, Microbus (Pick up or any vehicle for commercial use is not included in this scheme)
- **Reconditioned Car:** Car, Station Wagon, Jeep, 4 Wheeler Jeep, Microbus (Pick up or any vehicle for commercial use is not included in this scheme)
- **Used Car:** Car, Station Wagon, Jeep, 4 Wheeler Jeep, Microbus

5.3.1 ✍ Approved Brands:

- **Selected Brands for new vehicles:** BMW, Jaguar, Mercedes Benz, Volvo, Toyota, Honda, Nissan, Mitsubishi, Suzuki, Maruti, Hyundai, Opel, Rover, Fiat, Tata, Daihatsu, Daewoo, Mahindra
- **Selected Brands for Reconditioned Vehicle:** Toyota, Honda, Nissan, Mitsubishi
- **Selected Brand for used vehicles:** Toyota only

5.3.2 ✍ Vehicle Age specifications:

- New Vehicle: Never used and ready for first time registration
- Reconditioned Vehicle: Ready for first time registration and maximum age of the vehicle at the end of the loan must not be more than 10 years.
- Used Vehicle: Ready for second time registration and maximum age of the vehicle at the end of the loan must not be more than 10 years.

5.4 Important Features of Standard Chartered Bank (SCB) Auto Loan:

✍ **Purpose of the Loan:** Purchase of non-conventional private vehicles: e.g. Car, Jeep, Station Wagon, Microbus (max 10 seater)

✍ **Maximum Loan:**

- **Brand New:** Tk. 2000000
- **Reconditioned Vehicle:** Tk.2000000
- **Second Hand Vehicles:**
 - Sedan Cars/Microbus:** Tk. 1200000
 - Jeep:** Tk. 1600000

✍ **Minimum Loan:** Tk.100000

✍ **Loan Value per Vehicle Price (LTV):**

✓ **For Segment 1:**

For Brand New and Reconditioned Vehicles Only:

90% for employees of multinational organizations, middle to large Local corporate bodies, International Organizations having Salary account with SCB.

80% for employees maintaining of MNCs, middle to large Local corporate bodies, International and Local Organizations maintaining salary account with other banks.

60% for Second Hand Vehicle

100% (with cash collateral requirement)

✓ **For Segment 2:**

75% for all Vehicles

60% for Second Hand Vehicle

100% (with cash collateral requirement)

✍ **Interest Rate: 17%**

✍ **Repayment:** The customers will repay through Equal Monthly Installments (EMI).

✍ **Maximum Tenor:**

✓ **Brand New Car:**

All Brand New Brands - Maximum 60 Months

✓ **Reconditioned Car:**

Toyota – 60 Months

Other Brands – 48 months

✓ **Second Hand Vehicle:**

36 Months Maximum

✍ **Security/Collateral:**

- ✓ Joint Registration of the Car with the Bank's name
- ✓ Comprehensive joint insurance of the car (Policy must be renewed every year and copy of the policy must be submitted to SCB asset operation department)
- ✓ Money Receipt of Insurance Premium

- ✓ First Party Insurance and Joint registration will be optional for vehicles financed against 100% cash collateral requirement

✍ Joint Applicant: Spouse Only

✍ Insurance Amount: Comprehensive Insurance to be made on the full value of the vehicle.

✍ Early Settlement: Allowed

✍ Processing Fee/Service Charge: 1% on the loan amount.

✍ Guarantor: Not Required

✍ Moratorium Period: No Moratorium period, first installment would fall due within the initial 30 days from disbursement.

✍ Mode of Disbursement: Pay Order in favor of the Vendor.

5.4.1 Repayment and Repayment Method:

As mentioned earlier customer has repay the loan amount according to EMI method. The EMI amount is a function of the following three variables:

- ✓ The Amount of the Loan
- ✓ Interest Rate
- ✓ Repayment Tenor

The EMI size for any amount of Auto Loan can be calculated with the aid of EMI Matrix, which is developed considering different interest rates and tenors for a Auto Loan of BDT 1 Lac.

Interest Rate	12 Months	24 Months	36 Months	48 Months	60 Months
15%	9025.83	4848.66	3466.53	2783.07	2378.99
16%	9073.09	4896.31	3415.70	2834.03	2431.81
17%	9120.48	4944.23	3565.27	2885.50	2485.26

For Example the calculation of Loan Amount of BDT 1000000, repayment period 60 months, EMI would be $(10 \times \text{BDT } 2485.26) = 24852.6$

- ✓ **Repayment Method:** The customer has to repay the loan in any of the two following methods:
 - **Standing Instruction:** the customer will give a Debit Authorization in the Application Form. This method is applicable when account maintained in SCB
 - **Post-Dated Cheques:** The customer will provide a number of PDCs equal to the number of installment of the loan. this method is applicable when account is maintained in other banks is assessed.

5.4.2 Other Fees and Charges:

Apart from processing fees there can be some other fees and charges occurred. Such as:

- ✓ **Penal Inerrest:** 24% on the overdue amount.
- ✓ **Early Settlement Charges:** The customer has to pay a certain percentage on outstanding amount depending on the closing period.

Settlement Period	Charge
Before 6 months of disbursement	3% of outstanding + VAT
After 6 Months and before 12 Months of Disbursement	2% of outstanding + VAT
After 12 Months of Disbursement	1% of outstanding + VAT

✓ **Partial Pre-payment:**

Allowed under following conditions:

1. At least 25% of outstanding loan is allowed to be repaid after 1 year of loan disbursement
 2. Allowed once in a 12 installment period
- BDT 1000 will be charged as partial prepayment fee.

5.5 Documentation and Security Requirements:

5.5.1 Documents:

When submitting the application, the customer has to submit the following documents along with documents for qualifying through eligibility criteria and income assessment. Following documents vary for types of customer groups - Proprietorship, Partnership, Salaried Employees and Consultants.

- Photo ID
- Photograph
- Price Quotation (mandatory for loans > 1.5 million)
- Trade License (latest and 3 years old)
- TIN Certificate
- Partnership Deed
- Certificate of Incorporation
- Memorandum and Articles of Association
- Account Statement (Last 12 Months) if a/c maintained other than SCB
- Letter of Introduction
- Professional Certificate

Charge Documents: Before disbursement, the customer has to complete and sign the following charge documents:

- Demand Promissory Note
- Letter of Continuation
- Letter of Lien and Set-Off over deposit A/C (For FDR)
- Irrevocable Letter of Authority
- Letter of Hypothecation
- Memorandum of Deposit of Movable Assets as Securities (For WEDB or ICB Unit Certificates)
- Banking Arrangement Letter(A Copy is Delivered to the customer by Sales Unit)
- Most Important Document (MID) (A Copy is delivered to the customer by sales unit)

CIB Undertaking: Moreover, if the loan amount is more than or equal to BDT 1 Million the customer has to sign in the appropriate blocks in the application form and completed Credit Information Bureau (CIB) Undertaking Form.

5.5.2 Security Requirements:

The Customer has to provide the following securities to the bank in the addition to the charge documents before disbursement of the Loan:

Undated Cheque (UDC): Security (if any) amount will be deducted from loan amount to derive the amount to be written in UDC.

Post- dated Cheque (PDC): PDC for each installment has to be provided if other bank account is assessed for income determination.

Fixed Deposit Reserve: As per the security ratio specified for cash secured Auto Loans. The FDR is encashed with interest on closing of the loan. UDC and remaining PDC (if any) are returned to the customer through branch banking.

5.6 Competitors of SCB in Auto Loan:

At present a good number of private commercial banks are involved in Auto Loan Financing apart from SCB, such as: HSBC, Arab Bangladesh Bank, Brac Bank, Dhaka Bank, Eastern Bank Limited, Prime Bank, Premier Bank, One Bank and so on. Beside that some lease financing institutions such as IDLC, United Leasing are also providing Auto Loans.

However in current Auto Loan Market SCB reckons the following banks as their dominant competitors:

- Brac Bank Ltd.
- HSBC
- Dhaka Bank Ltd.
- Prime Bank
- Eastern Bank Ltd.
- Arab Bangladesh Bank

SUMMARIZED SALES DATE OF MORTGAGE LOAN AND AUTO LOAN:

6.1 Summarized Sales Data of SCB Mortgage Loan

Year	Number of Months	Amount	Sales per Month	Growth per Month %
2005	10	160,870,000.00	16,087,000.00	
2006	6	106,853,000.00	17,808,833.33	10.70

Standard Chartered launched its Mortgage Loan Product in the March 2005. This is the most recent loan product of SCB consumer banking. They have started delivering home loans in such a market which has already been dominated by two strong lending organizations DBH and IDLC. However SCB has started their mortgage loan product with a target of becoming number one in the home financing within three years. From the above table we can see the total and monthly sales of the first ten months of the inauguration year, which has been termed as satisfactory by the Mortgage Loan. In the second year, the running year's sales growth has met the target of Mortgage Team so far, target was to achieve at least 10% positive growth and so far till June 2006, they have able to achieve that growth rate. So the expected growth rate of above 10% might be met by the Mortgage Loan product at the end of this year.

Contribution of Different Sources in Mortgage Loan

Year	Number of Months	Amount	Contribution from Branches %	Contribution from Priority Banking Division %	Contribution from Direct Sales Team %
2005	10	160,870,000.00	52	23	25
2006	6	106,853,000.00	17.78	4.44	77.78

Above table has depicted the % contribution of different divisions in Mortgage Loan Product since its inception to June 2006.

6.2 Summarized Sales Data of SCB Auto Loan

In the year 2003 Standard Chartered Bank first launched their auto loan product. During that year they had overall sales of about Tk. **312,701,400.00** in Seven months time. On an average they had sale of about Tk, **44,671,628.57** per month. As they just began their business on that year the overall growth could not be calculated.

In the year 2004 they had overall sales of about Tk. **967,472,856.00** for 12 months. On an average they had sales of Tk. **80,622,738.00** per month which is in comparison to the previous year is about **80.48%** higher. As that was just the second year of their business the growth seems to be bit higher. But the proper scenario of the auto loan business was been evident in the next two years.

In the year 2005 they had overall sales of about Tk. **1,160,753,193.00** for 12 months. This is higher in terms of sales/month in comparison to that of previous year but the growth is now lower. The main reason is the emergence of their competitive banks such as BRAC Bank and other banks in the business. As a result they could not sustain their growth of 80% which was eventually been dropped to **19.98%**.

The proper picture of auto loan business is evident in the year 2006. During this year for 6 months (January- June) their business drastically dropped to only Tk. **423,780,000.00** which is on an average about **26.98%** less than the previous year's business. In this year they lose their business at a large number which is now they are trying to regain.

FINDINGS AND ANALYSIS

7.1 Mortgage Part

7.1.1 Comparisons of Mortgage or Home Loan Services Offered by SCB with its Two Dominant Competitors:

Though both DBH and IDLC two major competitors of SCB mortgage offered wide range of services, we have taken only those, to make a comparison, which match with the services offered by SCB Mortgage. We have consolidated all the home loan services of these three lenders to make the comparison more meaningful.

Features	SCB Mortgage	DBH	IDLC
Types of Services	Home Loan Home Credit Life Style Loan Take Over Loan	Home Loan Home Owners family Loan DBH Flexi Plus Home Loan	Individual House Loan Scheme
Purposes	<p><u>Home Loan:</u> Purchasing apartments for residential purpose.</p> <p><u>Home Credit:</u> Buying another apartment / house (complete / under construction on lease hold / private land) Construction or extension of own house House Renovation</p>	<p><u>Home Loan:</u> To purchase apartments/flats To construct own houses To extend existing houses To repair and renovate existing houses/flats</p> <p>To purchase housing plots from recognized Land Developers To acquire professional chamber / office space by recognized institutions and professionals</p> <p><u>Home Owners family Loan:</u> Home improvement / interior decoration etc. Purchase of Consumer Durable Items, e.g. Car, Electrical</p>	<p>Purchase of apartment</p> <p>Construction of house</p> <p>Renovation and extension of house</p> <p>Purchase / construction of house for the employees under corporate house finance scheme</p> <p>Office chamber/space for professionals</p>

	<p><u>Life Style Loan:</u> To meet urgent daily life expenses. By mortgaging existing apartments one can avail loan for the following purpose: Purchase of furniture, electrical and electronic home appliances Education expenses for the children Emergency medical expenses</p>	<p>Gazettes, Home Appliances, Furniture, Computer & Accessories etc. etc. Children's Education Purposes -- at home and abroad Traveling purposes Marriage and related expenditures Refinance of other loans Any other legal purpose.</p> <p><u>DBH Flexi Plus Home Loan:</u> To give borrower a freedom to repay his or her loan according to his or her plan and convenience</p>	
Interest Rate (Range)	13.5% to 14.5%	15.5% to 16.5%	15.5% to 16.5%
Maximum Loan Amount	<p><u>Home Loan:</u> Lower of BDT 6000000/ up to 70% of the property value</p> <p><u>Home Credit:</u> 60% of mortgage property value</p> <p><u>Life Style Loan:</u> Lower of BDT 1000000 or 40% of mortgaged property</p>	<p><u>Home Loan:</u> Maximum Tk. 20, 00,000/80% of the construction cost/70% of the purchase price</p> <p><u>Home Owners family Loan:</u> Maximum amount is more than the amount of 4/5 times of Gross Salary amount of the client</p>	<p>Lower of BDT 50,00000 or 70% of the price of apartment and lower of 50,00000 or 80%of construction/extension/ repair or renovation cost of house or office.</p>
Repayment Period	<p><u>Home Loan:</u> 15 Years</p>	<p><u>Home Loan:</u> Maximum period is 15 years, will ordinarily not extend</p>	<p>Maximum 15 years term is offered for purchase/construction/renovation/</p>

	<u>Home Credit:</u> 10 Years <u>Life Style Loan:</u> 10 Years	beyond the retirement age of 65 if the borrower is employed <u>Home Owners family Loan:</u> Maximum repayment period is 15 Years	extension of residential apartment/ house. Maximum 12 years term is offered for purchase/construction/renovation/ extension of chamber.
Security Requirements	Undated Cheque (UDC), Post- dated Cheque (PDC), Fixed Deposit Reserve.	<u>Home Loan:</u> Registered Mortgage of the property financed. Additional/alternate collateral security may be required on a case to case basis. <u>Home Owners family Loan:</u> Deposit of original title deeds (Registered Mortgage) of the self-dwelling property.	Mortgage of the property concerned is usually the security

- ✓ From the above table first thing we can notice that the basic house loan offerings are virtually similar among these three lender institutions. Basic house loan related offerings are categorized under different names by these three organizations. SCB Mortgage and DBH are offering more but their offerings are almost same. Though DBH is offering more various ranges of House Loan products than it's two other major competitors. If we consolidate the total home financing related purposes fulfilled by these three lenders then we can see, from DBH one can attain most financing of his or her home and daily life expense related requirements.
- ✓ Under Home Loan services SCB offers take over loan which is a transfer of existing loan facility from different financial institutions to SCB. Neither DBH nor IDLC is offering this kind of service under Home Loan services. On the other hand both DBH and IDLC offer financing for the establishment of office or chamber for an individual or professional customer, but SCB mortgage does not have this kind of facility under the home loan schemes. DBH offers Flexi Plus

Home Loan service which is not offered by SCB or IDLC under the home loan schemes. This kind of facility enhances the acceptability of DBH among the home loan borrowers, as this is the only scheme under which one can get the enormous flexibility in case of repayment of the borrowed amount.

- ✓ Range of Interest in different Home Loan Schemes of SCB Mortgage is the lowest among the three competitors. This is obviously an advantage of SCB Mortgage over its two dominant competitors in the same field.
- ✓ SCB Mortgage provides the maximum financing in Home Loan Schemes which is BDT 60,00000, on the other hand maximum loan amount provide by DBH and IDLC are BDT 20,00000 and BDT 50,00000 .This is also a significant advantage of SCB Mortgage over its competitors.
- ✓ Range of repayment period varies from 10 years to 15 years for SCB Mortgage, where as for IDLC it is 12 to 15 years. DBH offers the same repayment option of maximum 15 years for both the home loan schemes.
- ✓ Unlike DBH and IDLC, legal documents are not considered as the security in SCB Mortgage financing, though SCB also take legal documents. They consider UDC, PDC and Fixed Deposit Reserves as the security of their mortgage financing.

From the above analysis, we can say that SCB Mortgage has the clear advantage in two most important features – Maximum Loan amount and Interest Rates, over its two main competitors in the market, but SCB Mortgage is doing that well what it is expected to do by its present offerings. From the three months attachment with this department, the reason which I think creating the obstacles for SCB Mortgage to become the market leader in country's home loan financing is the extensive document requirements from the customers. From a follow up, conducting by telephone this prevailing facts revealed. From customers point of view SCB's document requirements are excessive, creates problems for the customers. So many and various types of document requirements usually make delay in the disbursements of loans which eventually results in an advantage to its competitors, and in losing customers. Customers switch to DBH and IDLC though they are charging relatively higher interest rates and providing lower

amount than SCB. Another reason which could be attributed for SCB Mortgage's not flourishing in Home Loan industry according to the expectation, is its lack of experience in the related field. It has just begun its business as house financing organization and obviously it is a commercial bank not as specialist in house loan financing as DBH or IDLC.

7.1.2 Findings on SCB Mortgage Partner Developers

Since financing in the purchase of personal apartments made by the 256 Developers operating in the metropolitan cities of Dhaka and Chittagong are the main target of SCB Mortgage, they have established supporting relationship with nineteen (19) leading Real Estate Companies of the Country. If any customer buys apartment from these developers then they are given special preferences for loan from SCB. So having the information on, ongoing projects of these developers is very crucial, because most of these apartments of these developers are sold during the time when they are constructed. So during my internship period I was given responsibility to collect information on ongoing projects of these 19 Real Estate Companies. I had visited as the SCB representative in these 19 Partner Real Estate companies of SCB, located in the different parts of Dhaka city. Goal was to gather detailed information on locations, number of projects, number of flats, price of the flats, size of the flats, and estimated hand over dates of the projects constructing by these developers at present

SCB Mortgage Partner Developers:

- Advanced Development and Technology Ltd.(ADTL)
- Amicus Properties Ltd.
- Amin Mohammad Group
- Anwar Landmark Ltd.
- Apartment Design & Development Ltd.(ADDL)
- Bay Developments Ltd

- Building Design and Development Ltd
- Building for Future
- Building Technology & Ideas Ltd.(BTI)
- Dom-Inno Developments Ltd.
- Eastern Housing Ltd.
- Hyperion Development Ltd.
- Latif Real Estate Ltd.
- Living Stone
- Navana Real Estate Ltd.
- Rangs Properties
- Sheltech Apartments
- Suvastu
- The Structural Engineers Ltd.(SEL)

7.1.2.1 Information on Ongoing Projects:

Number of Developers: 19

Total Number of Projects: 441

Total Number of Areas where these projects have undertaken: 71 (70 Areas of Dhaka City and all the Areas of Chittagong has taken collectively under the area of Chittagong)

Information on these ongoing projects can be summarized into two segments.

7.1.2.2 Segment 1: Based on Developers

Summarized Information on Ongoing Projects Based on Developers

Name of the Developer	Total No. of Projects	Total No. of Areas Covered
Advanced Development and Technology Ltd.	18	10
Amicus Properties & Development Ltd.	76	13
Amin Mohammad Group	61	15
Anwar Landmark Ltd.	14	9
Apartment Design & Development Ltd.	26	13
Bay Developments Ltd	7	4
Building Design and Development Ltd	35	14
Building for Future	11	7
Building Technology & Ideas Ltd.	26	12
Dom-Inno Developments Ltd.	31	15
Eastern Housing Ltd.	6	5
Hyperion Development Ltd.	21	5
Latif Real Estate Ltd.	10	3
Living Stone	10	7
Navana Real Estate Ltd.	31	22
Rangs Properties	25	11
Sheltech Apartments	6	3
Suvastu	10	6
The Structural Engineers Ltd.	16	10

7.1.2.3 Segment 2: Based on Location

For the analyzing convenience, 71 areas are allocated under 34 Locations.

7.1.2.3.1 Location Wise Total Ongoing Projects of all the 19 Developers

Name of the Location	Total No. of Projects	No. of Developers have Projects	Name of the Location	Total No. of Projects	No. of Developers have Projects
Uttara	114	15	Kakrail	5	4
Dhanmondi	46	13	Baily Road	4	4
Mirpur	44	7	Bashabo	4	4
Gulshan	38	13	Segunbagicha	3	3
Bashundhara	34	3	Shajahanpur	3	3
Banani	19	9	Mohakhali	2	2
Shyamoli	18	6	Panthapath	2	2
Mohammadpur	13	8	Paribagh	2	2
Siddheswari	12	7	Azimpur	2	2
Khilgaon	12	3	Arambagh	2	2
Green Road	11	8	Cantonment	2	1
Moghbazar	8	7	Kalyanpur	1	1
Wari	8	5	Motijheel	1	1
Lalmatia	7	4	Nakhalpara	1	1
Baridhara	6	4	Rampura	1	1
Badda	5	5	New DOHS, Mohakhali	1	1
Others	3	3	Chittagong	6	1

7.1.2.3.2 Location Wise Total Number of Flats of On Going Projects:

Name of the Location	Total No. of Flats	No. of Developers Data Provided	Name of the Location	Total No. of Flats	No. of Developers Data Provided
Uttara	427	7	Baridhara	27	3
Dhanmondi	1285	7	Kakrail	291	2
Mirpur	920	2	Baily Road	256	2
Gulshan	409	6	Bashabo	341	3
Bashundhara	10	1	Segunbagicha	42	1
Banani	105	5	Mohakhali	10	1
Shyamoli	253	3	Badda	758	3
Mohammadpur	111	5	Paribagh	45	1
Siddheswari	128	2	Arambagh	51	1
Khilgaon	164	1	Kalyanpur	30	1
Green Road	259	5	Motijheel	33	1
Moghbazar	87	4	New DOHS, Mohakhali	20	1
Lalmatia	69	2	Wari	164	2
Others	440	2			
Number of Locations: 27					
Total Number of Flats : 6735					

7.1.2.3.3 Location Wise Total Number of Unsold Flats of On Going Projects:

Name of the Location	Total No. of Unsold Flats	No. of Developers Data Provided	Name of the Location	Total No. of Unsold Flats	No. of Developers Data Provided
Uttara	108	10	Baridhara	3	2
Dhanmondi	76	10	Kakrail	141	2
Mirpur	691	4	Baily Road	20	1
Gulshan	102	8	Bashabo	60	3
Panthapath	46	2	Segunbagicha	0	1
Banani	31	4	Shajahanpur	0	1
Shyamoli	205	5	Badda	68	4
Mohammadpur	32	5	Paribagh	18	1
Siddheswari	77	5	Arambagh	17	1
Khilgaon	67	2	Kalyanpur	10	1
Green Road	111	6	Motijheel	0	1
Moghbazar	17	2	Azimpur	0	1
Lalmatia	2	2	Wari	4	2
Others	370	3			
Number of Locations: 27					
Total Number of Unsold Flats : 1268					

7.1.2.3.4 Location Wise Top Builders:

Name of the Location	Name of the Top Builder in the Location	No. of Projects Top Builder has in the Location	Name of the Location	Name of the Top Builder in the Location	No. of Projects Top Builder has in the
Uttara	Amin Mohammad	28	Kakrail	Advanced Development and Tech Ltd.(ADTL)	2
Dhanmondi	Advanced Development and Technology	11	Baily Road	ADTL, Amin Md., Navana	1 (each)
Mirpur	Hyperion	19	Bashabo	Anwar Landmark, BDDL, Navana, Building For	1 (each)
Gulshan	Amin Mohammad	8	Segunbagicha	Amin Md., Navana, SEL	1 (each)
Bashundhara	Amicus Properties	32	Shajahanpur	Dom-Inno, Building For Future, Living	1(each)
Banani	Amin Md., SEL, Navana	3(each)	Mohakhali	Bay, Navana	1(each)
Shyamoli	Latif Real Estate	10	Panthapath	Building For Future, SEL	1(each)
Mohammadpur	ADDL	3	Paribagh	Amin Md., Anwar Lanmark	1(each)
Siddheswari	Anwar Landmark Ltd.	4	Azimpur	ADDL, Building for Future	1(each)
Khilgaon	Building Design and Development Ltd (BDDL)	10	Arambagh	ADDL, BDDL	1(each)
Green Road	The Structural Engineers Ltd.(SEL)	3	Cantonment	Apartment Design & Development Ltd.(ADDL)	2
Moghbazari	Building Technology & Ideas Ltd. (BTI)	2	Kalyanpur	Building Technology & Ideas Ltd.(BTI)	1

Wari	Building for Future	3	Nakhalpara	Dom-Inno Developments Ltd.	1
Lalmatia	ADDL, Rangs, Suvastu	2(each)	Rampura	Dom-Inno Developments Ltd.	1
Baridhara	Bay Developments	3	New DOHS, Mohakhali	Rangs Properties	1
Badda	Amicus, Amin Md., BDDL, BTI	1(each)	Chittagong	Building Technology & Ideas Ltd. (BTI)	6
Others	ADTL, Eastern Housing, BTI	1(each)			

7.1.2.3.5 Location Wise Average Price per sft. :

Location	Avg. Price per sft. BDT	No. of Developers Data Provided	Location	Avg. Price per sft. BDT	No. of Developers Data Provided
Uttara	2600	12	Siddheswari	2150	7
Dhanmondi	4175	8	Green Road	2750	8
Mirpur	1825	6	Moghbazari	3000	6
Gulshan	3600	11	Wari	1800	4
Bashundhara	2700	3	Baridhara	2800	3
Banani	3550	7	Badda	3200	3
Shyamoli	2075	5	Kakrail	2473.5	3
Mohammadpur	2600	7	Bashabo	1900	3
Segunbagicha	1450	2	Panthapath	2250	1
Paribagh	2425	2	Arambagh	2400	2
Cantonment	2500	1	Kalyanpur	1800	1
			Others	2511	3
Number of Locations : 23					

7.1.2.3.6 Location Wise Average Size of the Flats per sft. :

Location	Avg.size of flats per sft.	No. of Developers Data Provided	Location	Avg.size of flats per sft.	No. of Developers Data Provided
Uttara	2092.5	12	Siddheswari	1537	7
Dhanmondi	2152.5	8	Green Road	1584.5	8
Mirpur	1917.5	6	Baridhara	3041.5	3
Gulshan	3415	11	Wari	1277.5	4
Bashundhara	2080	2	Badda	1352.5	3
Banani	2445	7	Kakrail	1357.5	3
Shyamoli	1225	5	Bashabo	2257.5	3
Mohammadpur	947.5	7	Panthapath	1435.5	1
Segunbagicha	1700	2	NewDOHS, Mohakhali	1850	1
Paribagh	1726.5	2	Kalyanpur	1083.5	1
Cantonment	1665	1	Lalmatia	1967.5	2
Khilgaon	1147.5	3	Baily Road	1500	4
Moghbazar	1639.5	6	Mohakhali	1850	2
Shajahanpur	1075	1	Nakhalpara	1387.5	1
Rampura	1140	1	Others	1174	3
			Chittagong	1313.5	1
Number of Locations : 31					

7.2 Auto Loan Part

7.2.1 A Comparative Picture of Auto Loan Facility of the SCB Competitors with SCB:

✍ Maximum Loan						
SCB	Brac Bank	HSBC	Prime Bank	Eastern Bank	Dhaka Bank	AB Bank
BDT20,00000 for both Brand New & Reconditioned, for Second hand BDT160000	BDT 20,00000 for both Brand New & Reconditioned	BDT 20,00000 for both Brand New & Reconditioned. For a Salaried Person it is 10 times of his or her Salary, of course not exceeding the amount of 20,00000	10,00000 for Brand New & 8,0000 for Reconditioned	BDT 20,00000 for both Brand New & Reconditioned	BDT 20,00000 for both Brand New & Reconditioned	BDT 1000000 for both Brand New & Reconditioned
✍ Maximum Loan Value per Vehicle Price (LTV)						
SCB	Brac Bank	HSBC	Prime Bank	Eastern Bank	Dhaka Bank	AB Bank
90% for Reconditioned & Brand New, 60 % for Second Hand	100% for both the Reconditioned & Brand New	75% for Brand New & 70% for Reconditioned	90% for Reconditioned & Brand New	75% to 85%	For Service Holder 85% and for Businessman 75%	90%
✍ Interest Rate						
SCB	Brac Bank	HSBC	Prime Bank	Eastern Bank	Dhaka Bank	AB Bank
17%	18%	16.5%	17%	17%	17%	16.5%

✍ Maximum Tenor

SCB	Brac Bank	HSBC	Prime Bank	Eastern Bank	Dhaka Bank	AB Bank
For Brand New & Reconditioned and Second Hand 36 Months	60 Months for Brand New and Reconditioned but for Reconditioned car model has to be 2002 or after	60 Months for both the Brand New & Reconditioned	60 Months for Brand New & 48 Months for Reconditioned	60 Months for both the Brand New & Reconditioned	72 Months for Brand New & 60 Months for Reconditioned	48 Months for both the Brand New & Reconditioned

✍ Financing in Second Hand Vehicle

SCB	Brac Bank	HSBC	Prime Bank	Eastern Bank	Dhaka Bank	AB Bank
Do the used car finance up to the models of last 5 years	Do not Finance in Used Cars	Do not Finance in Used Cars	Do not Finance in Used Cars	Do not Finance in Used Cars	Do not Finance in Used Cars	Do not Finance in Used Cars

✍ Repayment

SCB	Brac Bank	HSBC	Prime Bank	Eastern Bank	Dhaka Bank	AB Bank
Equal Monthly Installments (EMI)	EMI	EMI	EMI	EMI	EMI	EMI

✍ Processing Fee/Service Charge						
SCB	Brac Bank	HSBC	Prime Bank	Eastern Bank	Dhaka Bank	AB Bank
1% on the loan amount.	1% on the Loan Amount	No Service Charge is taken	1% on the Loan Amount	1.5% on the Loan amount	1.5% on the Loan amount	BDT 2000
✍ Joint Applicant						
SCB	Brac Bank	HSBC	Prime Bank	Eastern Bank	Dhaka Bank	AB Bank
Spouse Only	One, first relation by blood	Any one from Family	Any one from Family	Any one from Family	Not Possible	Not Possible
✍ Guarantor						
SCB	Brac Bank	HSBC	Prime Bank	Eastern Bank	Dhaka Bank	AB Bank
Not Required	One Guarantor required	Not Required	Two Guarantors, one from family and another will be the colleague	One, anyone from family	One Guarantor required	Two Guarantors, government employees are more preferable

- ✓ From the above comparison we can see that, SCB has the clear advantage than it's dominant competitors, that is the advantage of having facility to finance in used cars. No other bank in Bangladesh at present doing the same.
- ✓ SCB is offering the highest amount of loan along with Brac Bank, HSBC, Dhaka Bank, and EBL. They are not lacking behind of any competitors in this aspect.
- ✓ In case of interest rate, HSBC and AB Bank are offering the lowest interest rate among these seven banks. Though HSBC is ahead of AB Bank also, as they are have the more facilities than AB Bank. However SCB interest rate is also competitive, can't be said in the higher side compare to Brac Bank.

- ✓ Brac Bank is the only bank in the country which is offering 100% LTV in the auto loan facility. No other bank is giving that offer to customers at present. SCB offering second highest 90% LTV along with Prime Bank and AB Bank
- ✓ In case of tenor Dhaka Bank's offer is currently best one, as they are offering maximum 72 Months in case of Brand New Cars, and 60 Months in Reconditioned Vehicles. SCB along with Brac Bank, Prime Bank, HSBC, and EBL offering maximum 60 months in brand new and 48 months in reconditioned vehicle.
- ✓ HSBC has clearly surpassed all the other competitors in case of Service Charge as they are not taking any. SCB is taking the same service charge of 1% on the loan amount as Brac Bank and Prime Bank. Dhaka Bank, EBL and AB Bank's service charge are relatively in the higher side.
- ✓ Under the Auto Loan Scheme, SCB's offer is not an attractive one compare to the other competitors as they are accepting only to the spouse as the joint applicant.
- ✓ Only in SCB and HSBC Auto Loan offering customers do not require any guarantors to be eligible for loan, otherwise all the other five banks require guarantors.

7.2.2 Calculation of Effective Annual Rate of SCB and Six Competitor Banks in Auto Loan:

We know the effective annual rate is the rate actually being earned or paid as opposed to the simple rate, considering the compounding of interest.

$$\text{Effective Annual Rate} = \text{EAR} = \left(1 + \frac{i_{\text{simple}}}{m}\right)^m - 1.0$$

Here, i_{simple} is the simple or quoted or periodic rate

m is the number of compounding periods in a year

In EMI basis monthly compounding is used, so to determine the effective annual rate for all the seven banks including SCB, m would be 12.

Name of the Bank	Interest Rate	Effective Annual Rate
SCB	17 %	18.39%
Brac Bank	18%	19.56%
HSBC	16.5%	17.81%
Prime Bank	17%	18.39%
Eastern Bank	17%	18.39%
Dhaka Bank	17%	18.39%
AB Bank	16.5%	17.81%

Among the seven banks HSBC and AB Bank are charging the lowest Effective Annual Rate of 17.81% than the other five competitor banks in Auto Loan. SCB, Prime Bank, Eastern Bank and Dhaka Bank are taking the same EAR of 18.39%. Brac Bank is charging the highest Effective Annual Rate against their Auto Loan facility.

7.2.3 What is the Actual Amount customers are paying in SCB and other six Competitor Banks in EMI basis:

SCB along with the six other competitor banks follow Equal Monthly Installment (EMI) method for the repayment of approved loan amount. Each bank follows their own EMI schedule to determine EMI size for an approved loan amount. EMI is determined on the three variables - Loan Amount, Interest Rate and Repayment Tenor. Here we have tried to focus on the differences in EMIs among the seven banks due to their different interest rates. Also tried to figure out the actual and additional amount customers are paying because of EMI method in different loan amounts and repayment periods.

When Loan Amount = 1,0000 , Repayment Period = 4 Years							
Name of the Bank	Loan Amount	Interest Rate	Number of Years	Number of Months	EMI (BDT)	Amount Actually paid by the Customer	Additional Amount Paid
SCB	1,00000	17 %	4	48	2,885.50	138,504.20	38,504.20
Brac Bank	1,00000	18%	4	48	2,937.50	141,000.00	41,000.00
HSBC	1,00000	16.5%	4	48	2,859.70	137,265.65	37,265.65
Prime Bank	1,00000	17%	4	48	2,885.50	138,504.20	38,504.20

Eastern Bank	1,00000	17%	4	48	2,885.50	138,504.20	38,504.20
Dhaka Bank	1,00000	17%	4	48	2,885.50	138,504.20	38,504.20
AB Bank	1,00000	16.5%	4	48	2,859.70	137,265.65	37,265.65

When Loan Amount = 1,0000 , Repayment Period = 5 Years

Name of the Bank	Loan Amount	Interest Rate	Number of Years	Number of Months	EMI (BDT)	Amount Actually paid by the Customer	Additional Amount Paid
SCB	1,00000	17 %	5	60	2,485.26	149,115.45	49,115.45
Brac Bank	1,00000	18%	5	60	2,539.34	152,360.56	52,360.56
HSBC	1,00000	16.5%	5	60	2,458.45	147,507.13	47,507.13
Prime Bank	1,00000	17%	5	60	2,485.26	149,115.45	49,115.45
Eastern Bank	1,00000	17%	5	60	2,485.26	149,115.45	49,115.45
Dhaka Bank	1,00000	17%	5	60	2,485.26	149,115.45	49,115.45

When Loan Amount = 5,0000 , Repayment Period = 4 Years

Name of the Bank	Loan Amount	Interest Rate	Number of Years	Number of Months	EMI (BDT)	Amount Actually paid by the Customer	Additional Amount Paid
SCB	5,00000	17 %	4	48	14,427.52	692,521.02	192,521.02
Brac Bank	5,00000	18%	4	48	14,687.50	704,999.99	204,999.99
HSBC	5,00000	16.5%	4	48	14,298.50	686,328.24	186,328.24
Prime Bank	5,00000	17%	4	48	14,427.52	692,521.02	192,521.02
Eastern Bank	5,00000	17%	4	48	14,427.52	692,521.02	192,521.02
Dhaka Bank	5,00000	17%	4	48	14,427.52	692,521.02	192,521.02
AB Bank	5,00000	16.5%	4	48	14,298.50	686,328.24	186,328.24

When Loan Amount = 5,0000 , Repayment Period = 5 Years							
Name of the Bank	Loan Amount	Interest Rate	Number of Years	Number of Months	EMI (BDT)	Amount Actually paid by the Customer	Additional Amount Paid
SCB	5,00000	17 %	5	60	12,426.29	745,577.27	245,577.27
Brac Bank	5,00000	18%	5	60	12,696.71	761,802.82	261,802.82
HSBC	5,00000	16.5%	5	60	12,292.26	737,535.63	237,535.63
Prime Bank	5,00000	17%	5	60	12,426.29	745,577.27	245,577.27
Eastern Bank	5,00000	17%	5	60	12,426.29	745,577.27	245,577.27
Dhaka Bank	5,00000	17%	5	60	12,426.29	745,577.27	245,577.27
AB Bank	5,00000	16.5%	5	60	12,292.26	737,535.63	237,535.63

From the above tables we can get an idea about the different EMI sizes of SCB and its six other major competitor banks in Auto Loan. First thing we can notice that the EMI size gets bigger with the enhancement of interest rates. Higher interest rates make the EMIs higher. As a result the additional amount paid by a customer also increases with the increase of interest rates. As Brac Bank's interest rate is highest among all the seven competitor banks, so the size of EMI of Brac Bank is also the biggest. So the additional amount a customer has to pay if he or she takes loan from Brac Bank is highest among all the banks. EMI is lowest in HSBC and AB Bank as the interest rate is lowest in these two banks, and eventually a customer has to pay lowest additional amount over the actual borrowed amount. Secondly, EMI size gets smaller in the longer repayment period keeping the loan amount same. For instance, a customer of SCB has to pay EMI of taka 2,885.50 for loan amount of taka 1,00000 in the repayment period of 4 years or 48 months. Additional amount he has to pay is taka 38,504.20 over the actual borrowed amount of taka 1,00000. On the other hand in the same loan amount of taka 1,00000 EMI size gets smaller when repayment period gets longer. EMI size drops to taka 2,485.26 per month when repayment tenor is 5 years or 60 months. EMI amount is taka 400.24 less than the EMI of 48 months' tenor. Though in longer tenor EMI gets smaller but the overall amount a borrower has to pay gets bigger. In loan tenor of 60 months additional

16. DSRs are not much stable with SCB, which create problems for them to establish relationships.
17. In case of insurance, sometimes customers prefer one insurance company whereas SCB allows only to their enlisted insurance companies
18. SCBs service charge is high
19. SCB should change their early settlement policy
20. Branch people do not pay any attention, if any file send to them, it delays the entire loan processing
21. Dealers and customers remain in dark during the processing of loan application, can not be sure within how many days it will be approved
22. Loan in Chittagong takes more time because of the approval from Dhaka office
23. SCBs Management level is very difficult to access, once tried to contact on phone , but the officer got angry and did not like as the dealer directly contact with him.
24. New DSR's of SCB do not know well about the entire Loan process
25. SCB managers are not close with the Dealers, they are not in good touch as Brac or HSBC people

7.2.4.2 Most Common Problems:

SCB loan processing is lengthy: Among 50 visited car dealers, problem which car dealers addressed maximum number of times is the problem regarding SCB's lengthy loan processing. 16 car dealers think this one is the most crucial problem in the present auto loan facility. Several problems they have related under this issue, they are:

- ✓ SCB takes much time in documentation
- ✓ Customers now days usually do not like SCB for auto loans, as entire loan processing of SCB seems very cumbersome to them.
- ✓ SCB takes so much time in customer's statement verification, which eventually makes loan processing lengthy
- ✓ Some dealers think customers are just simply become sufferer due to SCB's lengthy loan processing
- ✓ Branch people do not consider auto loan files seriously, they just set it of for several days which ultimately delays loan processing
- ✓ Loans in Chittagong delays as it takes some extra days time to be approved from Dhaka office

Vendors who reckoned SCB loan processing as lengthy are:

Auto Bay
Auto World
Car Display
Car Dream
Car Fair
Car Impex
Car Impo
Car Zone
Classic Corporation
Howladar
Legend
Lion Auto
Mile Stone
My Cars
Top Speed
Zam Zam

SCB needs change their policy in Insurance: Second most frequent issue which vendors think is a problem in present auto loan facility is SCB's policy in insurance. 9 vendors think this is the issue which we need to change immediately. According to them only SCB has adopted this kind of policy in insurance among all the banks. For this policy EMI amount has gone up, which certainly discourage customers to take auto loan facility from SCB. According to them its very hard for a customer to accept the policy of making advance premiums. Those who had talked about this issue indicated that SCB has been losing customers due to their policy in insurance.

Vendors who consider, our present Policy in Insurance as a problem are:

Auto Museum
Car House
Car Van
Cosmic Car Agency
Green Vally
HNS Automobiles
Manhattan Motors
New Auto Galaxy
Road Ster

Delays in providing Pay Order: Third most frequent problem we had encountered by the vendors is delay in providing them pay orders. Though only seven vendors brought this issue into our notice, but those who had told about this issue had very much dissatisfied with it, and had taken it very much personally and seriously. I do think this is the most critical issue SCB Auto Loan Team has to deal with. Because when a vendor had told us about any problem they had told in a way that they had been giving us sort of recommendation to correct that, but whenever any vendor told anything about pay order they were not rendering any kind of recommendations rather they were expressing their extreme dissatisfaction along with anger. Following points according to vendor's perspective can be put under this problem category:

- ✓ SCB very often delays in providing pay order, most of the time delays at least 3 days.
- ✓ Some time vendors themselves collect pay order from SCB head office, as sales officers never carry pay order to them in time
- ✓ Sometimes sales officers bring pay orders in showroom at evening, there is no use of bringing pay order after bank hours. Again some times they bring pay orders in Thursday evening, which is quite absurd. For this folly of sales officers they have to face losses of three days.
- ✓ Sometimes SCB takes 20-25 days for giving pay orders
- ✓ Banks do not give them pay orders as customer has not made his down payment. But according to them, it is not their concern whether customer has made his down payment or not, for this reason they can not be the sufferer.
- ✓ Again sometimes they are said by bank that bank can not provide them pay orders as UDC, PDC are yet to be collected from customers. Vendors think, for this reason bank can not make them sufferer

Vendors who consider, "Delays in providing Pay Order" as a problem:

Auto Bay

Bagdad Auto Display

Car Gallery

Mile Stone
Nippon Auto
Sal Sabil
Zam Zam

SCB Interest rate is high: 6 vendors expressed their dissatisfaction about the interest rate. According to them SCB interest rate is higher, compare to most other competitors. They think as SCB is not giving 100% LTV in market, so they have to be flexible in case of charging interest rate. Though Brac Bank charges high interest rate, still customers take loan from them as they can avail of taking that loan amount in 0% down payment. Moreover some of the vendors had told us that Brac Bank offers different interest rates in different slabs, and slab wise interest rates of Brac Bank is lower than the same slabs offered by SCB.

Vendors who reckon Higher Interest Rate as a Problem in present SCB Auto Loan Facility:

Chariot
Falcon
Haq's Bay
Manhattan Motors
My Cars
Top Speed

SCB takes too many documents from customers: 6 vendors seeing SCB document requirements from customers as a problem. According to them SCB asks for too many documents from customers which other banks don't ask. They think, SCB's too many document requirements is simply a hassle for the customers. They think it is completely useless because of two reasons:

Firstly, Bangladesh is a country where any one can make a fake document, so asking unnecessary documents can not help SCB in selecting credit worthy original customers. Secondly, the range of documents SCB wants from customers, very often it can not be possible for the customers to supply that many numbers in our country, so customers who

do not usually like to adopt illegal ways of making documents are the worst sufferer of SCB's requirement of so many documents policy.

Vendors who think SCB's document requirements as a problem are:

Car Zone

Lion Auto

My Cars

Road Runner

Syleht's Car

Top Collection

SCB is fastidious about statements: 4 vendors think SCB bothers too much about customer bank statements. SCB looks in details of customer's bank statements; no bank usually does like that. SCB can ignore some small faults in customer's bank statements which they can actually ignore.

Vendors according to whom SCB is fastidious about Customer's Bank Statement are:

Auto Plus

Car Collection

My Cars

Road Ster

SCB is not flexible in giving loans like other banks: This issue can be fall under the previous problems categories. But still 4 vendors argued about that very strongly. According to them SCB is not like the other banks in the market, other banks can be flexible in some issues which can be ignored, but it never happened that SCB became flexible in any small issue which can be easily over looked. Brac Bank can be flexible in providing loans if it is required. Dhaka Bank and Premier Bank are so flexible that one can tell if a customer has rejected from all banks in the market, still it is possible that they can avail of loan from Dhaka Bank or Premier Bank. Even Premier Bank gives loan to those government service holders who don't have the minimum monthly earnings to be eligible for loan. In this case they give loan to these customers because they know in

actuality these government employees have much more monthly income, and they are credit worthy.

Vendors, who think SCB is not flexible in giving loans, are:

Car Gallery

Falcon

Golden Miles

Top Speed

Direct Sales Representatives (DSRs) are not efficient or well trained, specially new DSRs : 3 Vendors are not satisfied with the performance of SCB sales officers. They think most of the present DSRs are not seemed as well trained as before. Specially some new sales officers even not aware in details of our service. So its very obvious that they fail to understand customers about SCB auto loan facility. While Brac Bank's DSR's can assure just seeing the file whether a particular customer is getting loan or not, but due to lack of knowledge SCB DSR's can not tell anything about that. Moreover due to insufficient knowledge about the entire facility SCB sales officers ask for irrelevant documents from customers which some way make SCB loan process cumbersome and lengthy. And top it all, lack of knowledge about own product can make a strong negative impact on customer's mind.

Vendors who think SCB DSR's are not efficient are:

Car House

Legend

New Auto Galaxy

Declines loan based on Credit Card Payment history, even if the due amount is so minimal: 2 vendors think SCB rejects a loan application based on customer's credit card payment history. According to them even if the due amount is very minimal and which is not intentional by the customers, still SCB rejects loan application and it is not fair.

Auto World and

Green Valley

are the two vendors who strongly opposed this policy of SCB in loan approval.

Frequent visits of SCB DSRs create annoyance for Vendors:

Legend and

Lion Auto

are the two vendors who do not like frequent visits of so many SCB sales officers. According to them Banks should assign their DSRs whom to go where and how many times in a week.

Aforementioned issues are those about which at least 2 vendors told us their opinions, and they think these issues as problems in present auto loan facility.

7.2.4.3 Vendor's Preferred Bank: Among 50 showrooms of car dealers we visited, 45 vendors had told us about their most preferred bank in auto loan financing. From that we can make an order of vendor's preferred bank :

Name of the Bank	No. of Vendors preferred this Bank	Name of the Vendors
Brac Bank	25	Auto Bay,Auto Galaxy,Auto Plus, Bangladesh Auto Corporation ,Car Choice, Car Display,Car Dream,Car House, Car Impo, Car Land, Chariot ,Falcon, Golden Miles, Green Vally, Howladar,Mile Stone, My Cars, New Auto Galaxy, Onix, Road Runner, Road Ster, Sal Sabil, Syleht's Car, Takwa Motors, Top Collection
Standard Chartered Bank	9	Auto Museum, Auto Define, Bagdad Auto Display,Classic Corporation,Cosmic Car Agency,Haq's Bay,Legend,Top Speed,Zam Zam
Dhaka Bank Ltd.	4	Auto World, Car Impex, Nippon Auto Traders (Kakrail), Nippon Auto
HSBC	2	HNS Automobiles, Manhattan Motors
Prime Bank	2	Car Fair, Lion Auto
Eastern Bank Ltd.	1	Car Van
Premier Bank	1	Car Zone
AB Bank Ltd.	1	The Car

“Brac Bank”, Vendor’s Most Preferred Bank: Among 50 visited auto vendors 45 had told about their most preferred bank to work with in auto financing. And among 45, 25 banks had chosen Brac Bank as their most preferred bank in auto financing. Reasons which vendors think made Brac as their most preferred bank are:

- 100% LTV facility of Brac Bank
- Brac takes less time in processing
- Brac Bank’s DSRs are efficient
- Brac takes fewer documents, easy loan processing
- Brac takes less time in giving pay orders
- Brac Bank's different slabs in interest rates
- Brac gives loan in weak statement
- Brac’s management level is easily accessible

100% LTV facility of Brac Bank: Only Brac Bank is providing 100% loan to value facility among all the banks. Vendors think this facility of Brac Bank encourages customers to take loan from them. As customers can avail of loan from Brac Bank in 0% down payment, so customers usually prefer to take loan from Brac Bank. Even higher interest rate can not create any obstacle in taking loans from Brac Bank just because of this facility. 15 vendors prefer Brac Bank for their 100% LTV offering:

Auto Galaxy

Auto World

Bangladesh Auto Corp.

Car Choice

Car Dream

Car Impo

Chariot

Falcon

Green Vally

Howladar

Legend

Road Ster
Sal Sabil
Syleht's Car
Takwa Motors

Brac takes Less Time in Processing: 7 vendors,

Auto Bay
Car Choice
Car Display
Golden Miles
Howladar
Mile Stone
My Cars

prefer Brac Bank for taking less time in loan processing. According to them sometimes Brac Bank completes the entire loan process within 7 days. They think its very useful for them, as their goal is to sell the cars and get the amount as sort time as possible. If they can sell a car through Brac Bank's finance then it helps them to reduce the amount of their interest payment which they are suppose to pay their borrowing bank. So selling a car through Brac Bank's loan financing save both their time and money.

Brac Takes Fewer Documents, Easy Loan Processing: According to the vendors Brac Bank's loan processing is much easier than most of the banks. Ask for very few papers from customers, do not bother of taking so many documents from customers, like SCB. Customers also find Brac Bank very easy approaching and which eventually makes convenient for the vendors to maintain relationship with both ends. 4 vendors prefer Brac Bank due to this quality:

Car Impex
Car Zone
Golden Miles
Nippon Auto Traders (Kakrail)

Brac Takes Less Time in Giving Pay Orders: According to 3 vendors they prefer Brac Bank, as it provides them pay order within a very short time. Sometimes Brac gives them pay order within 2/3 hours of bill submission. They do not have to wait to get their pay order after the completion of registration. Vendors which are very satisfied with Brac Bank's Pay Order Policy are:

Chariot

Mile Stone

Syleht's Car

Brac Bank gives loan in weak statement: According to 3 vendors,

Auto Plus

Car Impex

Golden Miles

Brac Bank provides loan in relatively weaker statements. They do not bother much about customer's bank statement, and ready to give loans even in a poor statement.

Brac Bank's DSRs are Efficient:

Auto Bay

Auto World

These two vendors praised of Brac Bank's sales officers. According to them Brac Bank's DSR's are very efficient, they know well about their product and have the ability to convince customers. On viewing any customer file Brac Bank's DSR's can assure whether a customer is getting loan or not. They are always in touch with the vendors, keep update them about the loan processing. They do not keep the vendors and customers in dark about the loan processing.

Brac Bank's Different Slabs in Interest Rates: Falcon and New Auto Galaxy these two vendors like Brac Bank's different interest rates facility in different slabs. They think its very useful for customers. Customers do not have to pay same interest in lower loan amount. According to them Brac Banks interest is lower in case of slabs compare to the interest rates of SCB.

Brac Bank's management level is easily accessible: Brac Banks managers are easily accessible to their vendors. For any kind of loan processing query vendors can directly contact with Brac Bank managers. Vendors are personally acquainted with Brac Bank managers.

8.0 RECOMMENDATIONS

About Relationship with Auto Vendors:

First of all the general impression I have got about the vendors, that most of them have a tendency to look for errors of banks. Since we had visited as the representative of SCB, for that moment SCB was doing all the errors in the market, and all other banks are just flawless. Of course this idea can not be applicable for all the dealers. So its not so easy to please this sorts of people who are in many cases look for illogical reasons to accuse banks. But that does not mean there is no way of changing this impression. Little bit modification of present SCB Auto Loan offering can change this impression within few months. But before the modification of the offering, SCB Auto Team need to change a policy, which dealers have started to believe as their practice now. And this is the policy of providing pay orders. Providing pay orders on time can also help to build a better relationship with a dealer. Because it affects them directly. Though only seven dealers expressed their dissatisfaction with SCB's pay order policy, still I think it' very crucial for SCB to correct any kind of errors, if concerned authority think SCB has any, after analyzing this report. Almost all the dealers whether they like SCB's present offering or not, agree in one point, and that is SCB's transparency in giving loans, and they have the full respect on SCB's system. But this unwanted delay in pay orders is enough to spoil all the reputation they have created in auto loan market since the inception of SCB Auto Loan. I would like to draw the attention of Auto Loan Team on 3 complains vendors had made on our pay order policy.

1. Sometimes after completion of registration, and completion of all the necessary stuffs from Vendors part, they still have to wait long to get the pay order, what could be the reason for which SCB can not provide them pay order on the time when they are supposed to entitle that. And if Brac Bank and HSBC can provide them pay order within 2/3 hours after the registration then what actually obstruct SCB to do the same.
2. Some Vendors complained that bank gave them excuse for their own faults. They do delay in giving pay orders showing a reason that customer has not made his down payment, or UDC/PDC is yet to be collected from customer. These kinds of scenarios

might occur once or twice, but still what could be the reason for which SCB need so much time to collect customer PDC/UDC. Much time in a sense, as by that time vendor could complete registration and all the things they required to do.

3. Some of the vendors had made the complain against the sales officers, that they are supposed to carry pay orders to them on behalf of bank, but they do not usually perform that task. If sometimes they do that, they bring the pay order in such a time when vendors can not able to cash that amount. If the complain of vendors about the sales officers is true, then I do believe it is sales officers duty to carry pay order to the vendors. Auto team needs to look that matter with due importance.

If SCB can solve all the small and big issues regarding pay orders then it would be possible for them to build a better, and lasting relationship with all the vendors equally. It is to be worth mentioning, that those nine vendors who had told us that their first preference is SCB, are very much satisfied with SCB's payment policy, no complains with getting pay orders.

About Employing a Relationship Officer in order to improve Relationship with Vendors:

SCB can employ a relationship officer to make a better relationship with Auto Vendors. Some vendors has the complain against SCB that SCB's management level is not accessible like other banks in the market. I think employment of a relationship officer can change this view of vendors about SCB management level. This officer will be the representative of SCB managers. He will maintain the liaison with the vendors. Its not possible for the Auto Team managers to get in touch with the vendors all the time. This relationship officer can perform this duty on their behalf. Sales manager himself can make him acquainted with the vendors as the representative of SCB managers. This relationship manger will make frequent visits to vendors; can play the role in monitoring all the sales officers. He will be the one who will listen all the queries, objections of vendors, and will convey that to the management level.

Arranging Workshops or Training Programs:

SCB can time to time arrange some work shops for the sales officers of vendors. In these workshops they will learn the pros and cons of SCB Auto Loan product and SCB systems. So that they themselves can give idea about SCB's products to customers. Conducting this kind of workshops might help them to build good relationship with the vendors.

Needs more Promotional Activities:

What I feel after visiting car showrooms that at present SCB really lacks in promotional activities. Rarely we saw showroom people using kits given by SCB. Though IDLC is not that strong name in auto loan financing but they are very much ahead in distributing promotional kits, such as diaries, pens, desk calendars. Brac bank is also very conscious about these promotional activities. Distribution of these sorts of promotional kits could be an important way to improve relationship with vendors.

About Efficient Direct Sales Representative (DSR):

Some vendors think auto team's sales officers are not efficient, not that competent to convince customers. Again some said that present DSRs are not well aware about their own product. Vendors actually pointed towards the new DSRs in this case. Again they think DSRs are not that stable to establish long term relationship. Of course some of the vendors praised about some of the sales officers. But if it is the scenario about SCB DSRs then one way SCB can adopt to make them efficient and more literate about the market. That is through conducting weekly training session by the experienced sales officers in the same field under direct supervision of management level. This kind of training session can be conducted in the weekly holidays; experienced sales officer who will conduct this training session will be given attractive remuneration for that. When new sales officers will see their colleagues are conducting their training sessions and getting good amount in the weekend, just because he or she has the good knowledge about the product and market and have gained experience in this level, then they will also be motivated to get a good knowledge of this product, and will want to serve as an employee of SCB to reach in that stage.

About Frequent Visits of DSRs in showrooms which sometimes makes vendors annoyed:

Many vendors do not like the frequent visits of so many SCB DSRs in their showrooms and wanted some kind of control on that from the management level. But its really an arduous task to assign particular DSR to particular showrooms. But one thing can be done through relationship officer. Relationship officer will directly monitor the 2 week's activities of sales officers, they will submit a report where they will mention how many showrooms they had visited and how many files they could able to bring from those showrooms and things like that. From the last 15 days activities relationship officer will make a success and failure rate of each DSRs based on their last 15 days performance. And based on that analysis he will then make their next 15 days work plan, might change the visiting zones and areas if required. By this all the DSRs will equally get the opportunity to conduct all the showrooms. Of course successful DSRs of a particular zone will be kept there, at the same time he will be asked to conduct some new areas also. Other DSRs will also get the opportunity to work in areas where some particular DSRs got the success. Rotating DSRs in different showrooms might solve the problem of frequent visits of so many DSRs in some particular showrooms.

About reducing Interest Rate:

Since interest is the main earning from any loan product, so lowering interest rate is not so easy. But SCB can offer some special packages in some occasions such as due to Eid, they can offer a package of lower interest rate during the month of Ramadan.

About Service Charge:

Like the interest rate, service charge can also be cut off from the Auto Loan facility. Like the HSBC SCB can go for Auto Loan offering without service charge, or they can at least offer some packages on the eve of some special occasions where there won't be any service charge.

About Corporate Financing:

Corporate financing can be lucrative for SCB. Big dealers per month sell to at least 2 corporate clients on an average. And each client take at least 2/3 cars at a time from a showroom. Some big corporate clients sometimes even buy 10/12 cars at a time. Premier Bank, Dhaka Bank, Prime Bank do corporate financing, but they are not much active in this field; most of the cases leasing companies do the corporate financing. I think the relationship SCB has with the big corporates of the country like Grameen Phone, BAT, just exploiting that advantage, SCB can do corporate financing successfully in the market. SCB can send offer letter to all its corporate clients informing them about SCB's interest to financing them in case of car purchasing. SCB itself has to take the initiative in this case; vendors can not help them much here.

About SCBs Policy in Insurance:

At present only SCB has made Comprehensive Insurance mandatory for the customers. Though this policy is very useful for the customers, but many customers can not accept making advance premiums under this system. Problem occurs actually when they start comparing SCB policy in insurance with other banks. Many vendors think this policy has reduced the number of customers of SCB. From my point of view SCB can postpone implementing this policy until other bank start following this guide line of Bangladesh Bank.

Appendix A: Different Branches of Standard Chartered Bank

DHAKA :

- Hadi Mansion, 2 Dilkusha C/A
Dhaka – 1000
- 18-20 Motijheel C/A
(Alico Building), Dhaka – 1000
- House – 6, Road – 5
Dhanmondi R/A, Dhaka – 1205
- House – 37, Road – 2
Dhanmondi R/A, Dhaka – 1205
- 14 Kemal Ataturk Avenue
Banani, Dhaka – 1213
- 53 Kawran Bazar, Dhaka -- 1215
- 109 Kakrail Road, Dhaka.
- 102 Gulshan Avenue
Dhaka – 1212
- Sheraton Office Complex
1 Minto Road, Dhaka
- House – 81 A, Road – 7, Sector - 4
Uttara, Dhaka – 1230
- Zone Service Building
DEPZ, Savar.

CHITTAGONG :

- Sheikh Mujib Road, Agrabad
Chittagong
- Jiban Bima Corporation Shopping
Centre, 22/23 Station Road, Chittagong.
- 565/A CDA Avenue, East Nasirabad
Chittagong.

NARAYANGANJ :

- 26 Shaista Khan Road, Narayanganj

SYLHET :

- Fayzu Mansion, 1213 East Darga Gate
Sylhet.

KHULNA :

- Jiban Bima Bhaban, KDA Avenue
Khulna.

BOGRA :

- Shatani House, Sherpur Road
Bogra – 5800.

Appendix B: List of questions, which was asked to the Car Dealers

Name of the Showroom:

Name of the Respondent:

1. Do you prefer SCB for Auto Loan?

Ans: (Y)/(N)

2. Why do you prefer SCB?

Reasons:

(a)

(b)

(c)

(d)

(e)

3. Why don't you prefer SCB?

Reasons:

(a)

(b)

(c)

(d)

(e)

4. If you do not prefer SCB then which Bank you prefer for Auto Loan?

(a)

(b)

(c)

2. What is the reason of choosing this Bank?

(a)

(b)

(c)

(d)

(e)

5. Comments or Recommendations on present Auto Loan Facility of SCB (if any)

(a)

(d)

(b)

(e)

(c)

(f)

Appendix C: Bibliography

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