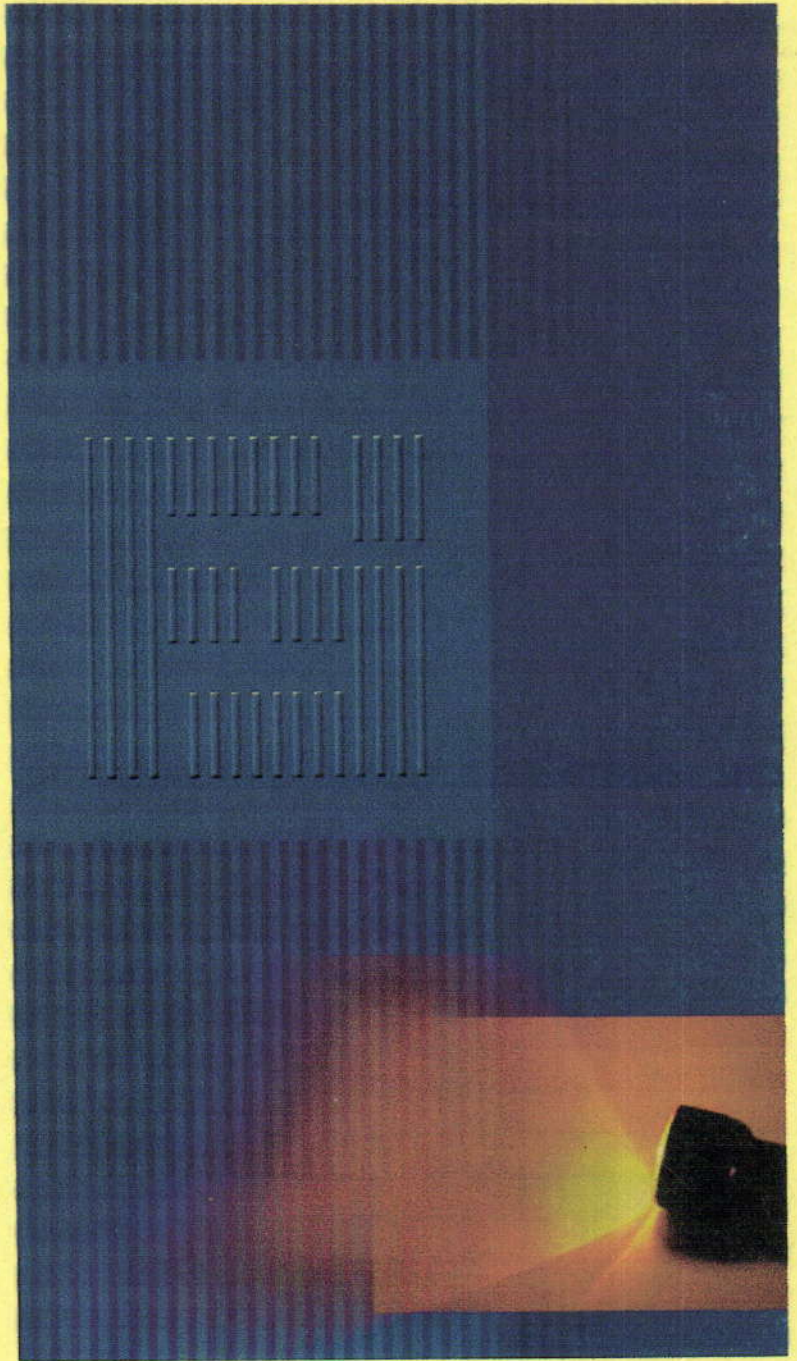


# Internship Report Year 2003



First Security Bank Limited

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BBA

Internship Report  
On  
First Security Bank Limited.

Prepared for  
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January 11, 2003.

To,  
Dr. Golam Ahmed Faruqui  
Assistant proctor  
East West University

Dhaka-1000.

**Subject: Submission of internship report**

Dear Sir,

With great pleasure I submit the internship report on the First Security Bank Limited, Dilkhusa Branch and depict the present status in terms of array of services provided by the bank. I worked, as an intern in the First Security Bank Limited for three months long and considered this internship program is worthwhile experience for me as it has provided a wide exposure to the real life-working situation.

I have prepared the report according to the work-schedule and the working experience in the bank, but with the available Data and Information, I have tried my level best to make the report as comprehensive and details as possible.

I am grateful to you for satisfying my inquisitiveness by allowing me to undertake this task, which I am sure, will prove invaluable in broadening my outlook.

Thanking you,

Munni Khatun  
B.B.A (Final Year)  
East West University.



## PREFACE

We have moved a long way from the time when the banks were mere deposit taking and money lending institution. The old concepts, attitudes and methods in banking have undergone a marked change all over the world; and Bangladesh has not lagged behind. Banks are required to participate in the nation building activities and act as agent for bringing about socioeconomic changes.

At the beginning of 1990, we observe an era of unprecedented all round growth since nationalization of commercial banks. Entering a new millennium, banking needs become more acute than ever before as a result the branch network has widened and functional dimensions have broadened. Thus the field of banking industry has enormously increased in all spheres and it would not be exaggerated to say that the banking industry could now be looked upon as the pivot around which the economic activity revolves. It is truer because of interdependence that has developed between banks and economic growth.

The First Security Bank Ltd. got certificate for commencement and was incorporated as a public limited company on 29<sup>th</sup> August, 1999 under the Companies Act 1994 and commenced banking operations through the Dilkusha Branch at 23, Dilkusha Commercial Area, Dhaka on 25<sup>th</sup> October, 1999 emerges as private commercial bank in banking scenario of Bangladesh on the 27<sup>th</sup> of November 1999. It has a promise to fulfil every possible customers needs and serve the society with high efficiency and satisfaction. As private commercial bank it has to face severe competition as there are banks currently carrying out their operations in Bangladesh. Its competitive strength lies in setting high standard of integrity and in providing total satisfaction to its customers. Its team of dedicated professionals is committed to provide unparalleled services by using the latest technology make bankable proposals harvest maximum benefits for the customers, the shareholders, and the society at large.

It is really a great honor for me to have an opportunity to work as an intern in the First Security Bank Ltd. During my internship, I find myself as a part of its committed workforce and I put the utmost effort to bring the relevant facts and figures with respect to the preparation of the internship report. My effort will be of some value if this report can help other students in their future study or the related organizations or some other people.



## ACKNOWLEDGEMENT

It is well known that practical knowledge in subject matter is essential to substantiate the theoretical knowledge gathered in the educational institutions. In order to resolve the dichotomy between these two areas, I decide to carry out an internship program in any private commercial bank in Bangladesh. When I got chance to work as an intern in the First Security Bank Ltd., it was like a long cherished dream to come to reality.

I started working from 15<sup>th</sup> September 2003 and ended up on the 15<sup>th</sup> December 2003 as per the work schedule. During my internship program, I never feel for a moment that I will have to leave the bank just after three months. To have the honor to be a part of such esteemed organization, I am grateful to many individuals of the First Security Bank Ltd. though all the names are not included in the space for providing me valuable information and guidance crucial for the report.

My heartiest thanks to Dr. Golam Ahmed Faruqui ,Assistant professor, Department of B.B.A East West University, Director's of First Security Bank Ltd. who have given me the opportunity to satisfy my inquisitiveness by allowing me to undertake the task.

I would like to express my deepest gratitude to all the officers and staffs of the First Security Bank Ltd.-Dilkusha Branch, especially Mr. (Executive Vice-president & Branch in charge, Dilkusha Branch) Mr. Eqram Ullah (Vice-president & operation in charge) Mr. Nasir Uddin Ahmed (Vice-president & in charge import dept.) Mr.Syed Zahirul Islam (Vice-president & in charge marketing dept.) Mr.Samad Mollah (VP) in charge L&A dept. Mr. Anwer Hossain Chowduury (Vice-president & in charge deposit and remittance dept.) Mr.Shafkat Rabbi (SPO) & Export In-charge, Mr.Wahiduzzaman (SPO) & in charge Accounts, Mr.Wahiduzzaman (SPO) of import dept. Mr.Ahsan Khalil (SPO), Mrs. Asma(SPO), of advance dept. and Mr. Salim Udin Principal Officer of deposit and remittance.

I also like to put on record with appreciation the support provided me by Mr. Alamgir Kabir, MR. Naim, Mr. Mahfuz and of import dept. Mr. Asif, Mr. Abdul Latif, Ms. Samia, Mrs. Farhana Naz, Mr. Masud and of Export dept. Ms. Munira, Mr. Atay Mohaemen Chowdhury, Mr. Nurul Amin of remittance; Mr. Aminul of Cash, Mr. Haider Akhlaque, Mr. Masumul Goni, Mr. Ishaque, Mr. Ramjan Ali, Mr. Abu Twab Khan, Mr. Najam of Advance, Mrs. Zinat Sultana, Mrs. Salma, Ms. Mahfuza, Mrs. Farhana, Mr. Anis, Mr. Babu and Mr. Layas Uddin of Accounts and Clearing, Mr. Ahmedullah of Foreign remittance, Mr. Jalal and Ms. Happi of Head Office Creadit, Mrs. Rejina, Mrs. Shawan and Mrs. Alam of ID, Mr. Shahadat of HRD, Mr. Rabbani and Mr. Rezve of Head Office.

For those persons FSBL became family out of the family, Mrs. Anupama Chowdhury, Mrs. Hafiza Mahmood, Mr. Ruhul kuddus, Mr. Masumul Goni and my intern colleagues, Ms. Halima Farzana and Mr. Shamsul Arefin, no words are strong enough to hold the thanks and gratitude I want to express to them.

## EXECUTIVE SUMMARY

The internship report is prepared with respect to the three months internship program in First Security Bank Ltd. This report is composed of three parts, which are further divided into nine chapters. In the first two chapters a preview of general economy and Bangladesh economy has been delineated along with the background of the bank. In the first chapter, I briefly discuss the general economy as well as the objective of the study, methodology, limitations of the study. In the second chapter the organization structure, historical background, objective of First Security Bank Ltd. and its progress have been discussed.

From chapter three to chapter five, I have highlighted different from end banking activities in different desks such Reception, Remittance and Receipts, Cash and these three departments make up the customer service part of the report. Chapter six, chapter seven and eight deal with the core banking activities such as functions of Credit department, Foreign Exchange and Accounts. In part four I have presented ratio analysis and SWOT analysis and in part five some problems of FSBL and some general recommendations are mentioned. The appendix and bibliography have been given in part six.

I tried to bridge up all my findings based on analysis and discussions. While preparing the report I always tried my level best to make it authentic and at the same time easily understandable. For this, I came up with a number of reference books and journals to get the theoretical backup. In of my heart and soul effort there may be some mistakes and unforeseen errors, which may arise due to my naïve or inexperience stat.



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## PART: ONE

### INTRODUCTION & ORGANIZATION

#### CHAPTER ONE

##### ORIENTATION OF THE STUDY

- 1.1 INTRODUCTION
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- 1.4 LIMITATIONS OF THE STUDY

## **Orientation of the study**

### **1.1 Introduction:**

Banks today are under great pressure to perform – to meet the objective of their stockholders, employees, depositors and borrowing customers, while somehow keeping government regulators satisfied that the banks policies, loans and investments are sound. As Banking organizations have grown in recent years, more and more of them have been forced to turn to the money and capital markets to raise funds by selling stocks, bonds etc. in many cases growth of local deposits has simply been inadequate to fund the growing needs of customers for loans and new services. But banks entry into open markets to raise funds means their financial statements are increasingly being scrutinized by investors and by general public. This development has placed management under pressure to set and meet bank performance goals.

At the same time, competition for banks traditional loan and deposit customers has increased dramatically. Credit unions, money market mutual fund, insurance companies, and brokerage firms all are fighting for a slice of nearly every credit and deposit market traditionally served by banks. Bankers have been called upon to continually reevaluate their deposit policies, review their plans for expansion and growth, and assess their returns and risk in light of this new competitive environment. In addition, there is the added problem of bank failure. Many of these failures have been associated with managerial mistakes, outright fraud and a more volatile and uncertain economy that demands new standards for bank management.

In Bangladesh, banking sector dominates the financial sector and the macroeconomics management largely depends on the performance of the banking sector. The Ministry of Finance in conjunction with Bangladesh Bank, regulates the banking sector through monetary policy and fiscal policy whereas banks are operating under the guidelines set by Bangladesh Bank, the country's Banking sector comprises Bangladesh Bank, four Nationalized Commercial Banks, thirty Privatized Commercial Banks, five Specialized Banks twelve Foreign Banks eight Specialized financial institutions.

- **A Preview of the General Economy**

Economy often plays an important role in the bank's performance and its existence in the market. So while evaluating the performance of First Security Bank Ltd I believe that it is important to talk about both the world economy and Bangladesh economy.

- **Global Economy**

In the context of world economy the year 2002 was a year of continued and formidable challenge. The process of trade liberalization and globalization has presented new challenges as well as greater opportunities. Economic boundaries of nations are being abolished and the world is gradually becoming a global village. In the beginning of the year 2002 the Euro currency started to replace the currency of eleven European Union Countries. In the financial service sector profound changes have been taking place globally. E-commerce is becoming the



predominant mode of transactions. We are witnessing revolutionary changes in the fields of cost control, retail channels, range and delivery of services, accessibility and reach. These changes have already triggered off reorganization, amalgamation, and takeover of financial institutions globally. Despite some risks, and uncertainties the world economic situation is expected to improve by the year 2004.

- **Bangladesh Economy**

Bangladesh economy is basically agriculture-based. Agriculture is the single largest sector of the economy, announcing for as much as 31.5% of the GDP and employing 63% of the labor force. About 12% of the total exports come from agriculture products like Jute and Leather. The macro economic development during the year 2001-2002 was marked by a healthy GDP growth and moderate inflation. For the second year running bumper rice harvest maintained growth at above 5% and GDP growth during the FY 2000 was at 5.7% which may be considered as the highest since the beginning of the 1990's. Agriculture sector contributed importantly to self-sufficiency in the food production, alleviation of poverty and attainment of sustainable economic development.

The role of the industrial sector is very important in the economic development of Bangladesh. Conversely the growth performance in industry was sluggish with manufacturing growth of 3.3% being one of the lowest rates in recent years. Several adverse factors contributed to this situation, which included disruption in the supply of natural gas, which in turn affected the power supply and production activities. Furthermore, labor disputes during the second quarter of the year badly affected the operation of Chittagong port. In the services sector, growth in transportation, storage and communication contributed to about 13% to the total GDP but growth in trade sector was sluggish due to lower import growth.

Some assenting initiatives were taken in the banking sector with improvements in the legal and regulatory environment to improve loan recovery but unfortunately the high quantum of non-performing assets and under capitalization continued to plague the entire banking sector thus causing a major threat to the macro economic stability. The size of classified loans increased significantly which contributed to lower profitability of the Banks. Foreign exchange reserves decline a further of US\$ 0.3 billion and stood at US\$ 1.7 billion, which amounted to less than 3 months of import for the country.

The pressure on foreign exchange reserve persisted due to low aid disbursement and sizeable private capital outflow, which amounted to around US\$ 120 million. The official exchange rate was devalued by 4.6% in seven steps in FY 2001 and in two steps during July-August '02 thus raising the cumulative rate of devaluation to 6.7%. The external account deficit declined from over 5% of GDP to less than 3% (US\$ 0.9 billion) in FY 2002 which was mainly a result of healthy export growth (14%) and a significant increase in remittances from abroad, which in turn was due to stable political environment and a higher rate of contraction in import of food grains and capital goods.

The national saving rate increased from 11.9% of GDP in Fy'01 to 14.6% in FY'02. This was partly due to increased inward remittances, increase in nominal interest rates and lower rate of



inflation. Monetary policy in FY'02 continued to accommodate the borrowing needs of the Government. Broad money increased from 8.3% to 11% in fiscal year 2002.

The price indices on both the houses were in moderate condition of the security market in 2002-2003. There were 259 listed securities in the Dhaka Stock Exchange comprising shares of 241 companies, 10 mutual funds and 8 debentures issues as on May 2003.

### **An Overview of Bangladesh's Banking Environment**

The banking industry in Bangladesh is more than 600 years old. The Central Bank of the country, Bangladesh Bank, controls and monitors the banking industry. At present, there are 46 commercial banks, 17 finance and leasing companies in Bangladesh. Government has recently issued licenses to 8 merchant banks; Primary decision has been taken to allow another couple of local commercial banks soon.

#### **Currently the major financial institutions under the banking system include:**

- Bangladesh Bank;
- Commercial Bank;
- Islamic Banks; (For interest free Islamic banking in adherence to the shariah, i.e., Islamic banking principles and practices)
- Leasing Company;
- Finance Companies;
- Merchant Banks;

Generally, the commercial banks and finance companies provide a myriad of banking products/facilities and services to cater to the needs of their customer. These include 24 hour banking, home banking (Tele-banking via use of modems and phones) and general banking and service products. The customer's convenience, such products are available throughout the bank branches in Bangladesh.

However, the Bangladesh banking industry is characterized by the tight banking rules and regulations set by Bangladesh Bank. All banks and financial Institutions (FI) are highly governed and controlled under the **Banking Companies Act-1993**, which lays out many restrictions, besides other guidelines. Among the many regulations imposed, Bangladesh Bank does not allow any FI get into bankruptcy or insolvency.

The range of banking products and financial services is also limited in scope. Besides all local banks are imposed with 4% Cash Reserve Requirement (CRR), which is non-interest bearing and 16% Statutory Liquidity Requirement (SLR). This has given rise to higher cost of funds. With the liberalization of markets, competition on banking products and financial services seem to be more intense and competitive. In addition, as banking products, which can be offered in Bangladesh, are fairly homogeneous in nature due to the tight regulations imposed by Bangladesh Bank. Competing through differentiating the range of products offered is often difficult and not effective. Moreover, any innovative banking service launched is quickly duplicated by other banks such as ATMs, telebanking, online (real time) computerization bank



branches etc. Hence, the key to establish a competitive edge in banking industry of Bangladesh is to provide better customer service quality.

## **1.2 Origin of the report:**

As a part of the B.B.A course requirement, I was placed at Dilkusha Branch of FSBL. During the period of September as on 15 to December 15, 2003 as an internee by the EWU at the Dilkusha Branch of FSBL, my supervisor was Mr. Golam A. Faroqui; Asst. Proctor. of EWU authorized me to prepare this report as part of the fulfillment of interndhip requirement.

## **1.3 Background of the study:**

Knowledge and learning become perfect when it is associated with theory and practice. Theoretical knowledge gets its perfection with practical application. As our educational system predominantly text based, inclusion practical orientation program, as an academic component is an exception to the norm. As the parties; educational institution and the organization substantially benefit from such a program, it seems a “win-win situation”. It establishes contracts and networking contracts. Contracts may help to get a job. That is, students can train and prepare themselves for the job market. A poor country like Bangladesh has an overwhelming number of unemployed education graduates. As they have no internship experience they have not been able to gain normal professional experience or establish networking system, which is important in getting a job. So practical orientation is a positive development in professional area. Recognizing the importance of practical experience, Department of B.B.A has introduced a three months practical exposure program. In such state of affairs the present aiming at analyzing the experience of practical orientation related to General Banking activities in the First Security Bank Limited, Dilkusha Branch.

## **1.4 Objective of the study:**

1. To be familiar with the environment of a private bank.
2. To gather knowledge regarding opening of an account, product selling and counseling customers.
3. To build up the concept regarding Pay-order, Demand Draft, and Telegraphic Transfer.
4. To be clear in respect of credit policies, processing proposals, sanction, disbursement and reporting.
5. To have idea regarding various issues of Import: Letter of credit opening, short-term loan like Payment Against Document (PAD), Loan against Import Merchandise (LIM), Loan against Trust Receipt (LTR).
6. To gather knowledge about export like, Back-to-Back L/C against Master L/C.



7. To have idea about some other services provided by the bank i.e. Issuing guarantee, Traveler's check student counseling etc.

### 1.5 Scope of the study:

The scope of the organizational part covers the organizational structure, background, objective, function and department and business performance of FSBL as a whole. The main part covers the operational scenario of credit, foreign exchange, remittance of Dilkusha Branch. This refers that how the bank help the customers in exporting and importing the goods, providing loans, and how it remits the money of the foreign clients, etc. all are in the project part of the report.

### 1.6 Methodology of study:

I worked in different departments in First Security Bank Ltd (Dilkusha Branch) according to the work schedule given below:

	<b>Desk</b>	<b>From</b>	<b>To</b>
1.	Reception and account opening	September 15	September 22
2.	Cash & Remittance	September 23	September 30
3.	Foreign Exchange	October 01	October 15
4.	Credit	October 16	October 31
5.	Foreign Remittance	November 01	November 15
6.	Accounts	November 16	December 15

Although three months internship program is not enough to know the details about the general practice of banking but due to cooperative and helpful mind of the officers, my internship enables me to widely enhance my conception with respect to general practice of banking.

The data collection method of study consists of both of primary and information was collected from secondary sources. But majority of the information was collected from secondary sources.

- a. Primary sources: The primary sources include interviewed with the bankers and my work experience.
- b. Secondary sources: The secondary sources are the annual reports of the FSBL-2001-2002 and other published prospects.
- c. External Sources:
  - Different books & periodicals on Banking.
  - Government report.

## **1.7 Limitations of the study:**

Like any other study the limitations of the study is not out of questions. But the following factors seem to me the main points of weakness of this study:

1. A worthwhile study requires the analysis of as much data as possible covering various aspects of the study. I did not have easy access to the various information of First Security Bank Ltd was frequently strained by Bank officials on grounds of secrecy. The executives were very much cautions and selective in providing information regarding various aspects of credit management.

2. As a private bank, First Security Bank Ltd is functioning their activities for only three years. So their recording and processing system of data are not in organized level. As a result they were not able to provide me the data in respect of requirement.

3. As there is no Research and Statistical division of First Security Bank Ltd, so they were not in a position to provide me with the required data in respect of credit management.

4. Conservative disclosures in the data of financial statement by private banks make it very difficult to obtain relevant information as was desired.

## PART: ONE

### INTEODUCTION & ORGANIZATION

## CHAPTER TWO

### ORGANIZATION PROFILE

- 2.1 HISTORICAL BACKGROUND OF FIRST SECURITY BANK LTD.
- 2.2 OBJECTIVES OF FIRST SECURITY BANK LTD.
- 2.3 PROGRESS OF FIRST SECURITY BANK LTD.
- 2.4 MANAGEMENT HIERARCHY OF FIRST SECURITY BANK LTD.
- 2.5 CORPORATE INFORMATION OF FIRST SECURITY BANK LTD.
- 2.6 BRANCHES OF FIRST SECURITY BANK LTD.



## **ORGANIZATION PROFILE**

### **Introduction:**

In order to conduct a worthwhile report preparation of First Security Bank Ltd, it is necessary to go through the profiles of the banks under study. In this a short picture of the bank's historical background, objectives, progress and organogram are disclosed that would act as a brochure indicating a brief discipline about the bank operation in the economic system.

### **2.1 HISTORICAL BACKGROUND OF FIRST SECURITY BANK LTD:**

A part of government policy is to make sure effective and meaningful participation of the private sector in the overall national economy. Private Banks started functioning during the year 1983-84. Banks got permission at that time can be classified as first generation bank and banks got permission during 1996-2001 is classified as third generation bank.

The Government of Bangladesh has licensed First Security bank Limited in 1999 as a scheduled bank in the private sector in pursuance of the policy of liberalization of banking and financial services in Bangladesh which fall in the category of third generation bank.

The Bank got certificate for commencement and was incorporated as a public limited company on 29<sup>th</sup> August, 1999 under the Companies Act 1994 and commenced banking operations through the Dilkusha Branch at 23, Dilkusha Commercial Area, Dhaka on 25<sup>th</sup> October, 1999. The bank was established as the policy makers of the country felt urgency for banks in private sector. In 1999 the government had given permission to open four banks in private sector and FSBL is just one of them. At present FSBL have ten branches, these are:

#### **1. Principal Branch:**

23, Dilkusha C/A, Dhaka.

#### **2. Biswanath Branch:**

Natun Bazar, Biswanath, Sylhet.

#### **3. Keranihat Branch:**

Keranihat, Chittagong

#### **4. Agrabad Branch:**

163, Sk. Mujib Road, Agrabad C/A, Chittagong.

#### **5. Bangshal Barnch:**

176, Bangshal Road, Dhaka.

#### **6. Khatunganj Branch:**

142, Chand Meah Lane, Khatunganj, Chittagong.

#### **7. Mohakhali Branch:**

95, MohakhaliC/A, Dhaka.

**8. Jubilee Road Branch:**

365, Jubilee Road, Chittagong.

**9. Dhanmondi Branch:**

Rifles Square, BDR H.Q., Dhaka.

**10. Rangpur Branch:**

Aziz Super Market, Station Road, Rangpur.

**Proposed branches:**

FSBL has already undertaken a massive branch expansion program that would allow FSBL to establish another 5 more branches in key locations of the country. The program is now waiting for Bangladesh Bank clearance and approval. As a part of the branch expansion program, a partial list of some of the new upcoming branches is listed below:

**Location of upcoming Branches:**

- Kawran Bazar
- Gulshan
- Uttara
- Narayanganj
- Sylhet

Last year, **FSBL** not only earned a good reputation in the market but also performed well interned of financial performance. In 2002 FSBL earned an operating profit of **Tk. 130** million, which is 83% higher than that of the preceding year 71 million. The audited balance sheet as of 31<sup>st</sup>December 2002 shows commendable performance of the bank deposit grew to Taka Tk.5230 million while the advances figure stood at **Taka Tk.4102** million.

However its operation has expanded all over the country as **NATIONAL BANK LTD.** acts as an operation agent of **FSBL** in the country where it does not have any branch. Most commercial banks show interest in business oriented proposals but **FSBL** have crossed barriers by introducing personal credit scheme that enables middle class people to fulfill their dreams.

**2.2 OBJECTIVE OF FIRST SECURITY BANK LTD:**

1. To assist bringing high quality of services of the customers and to participate in the growth and expansion of our national economy.
2. To set high standards of integrates and bring total satisfaction to the clients, shareholders and employees.



3. To render technology drove innovative services by the dedicated team professionals.
4. To expand branches.
5. To increase deposit mobilization.
6. To establish large network of foreign correspondents for smooth functioning of foreign trade business.
7. To extend credit facilities throughout the year to various sectors of the economy.
8. To make remarkable progress in competitive banking sector both in local and international arena.
9. To extend credit facilities for the industrial sector.

### **2.3 PROGRESS OF FIRST SECURITY BANK LTD:**

Despite competition among banks operating in Bangladesh both local and international, **First Security Bank Ltd.** has made remarkable progress, practically in every sphere of its activities, during the year under review:

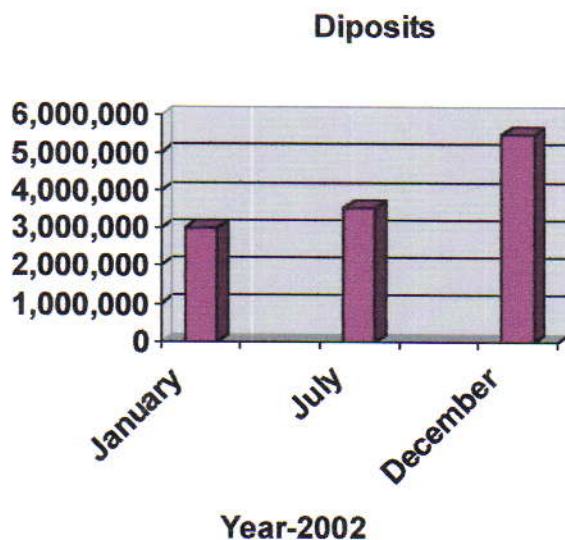
#### **CAPITAL**

The authorized capital of the bank is Tk.1000 million and the paid up capital of the bank is Tk.200.00 million.

#### **DEPOSIT**

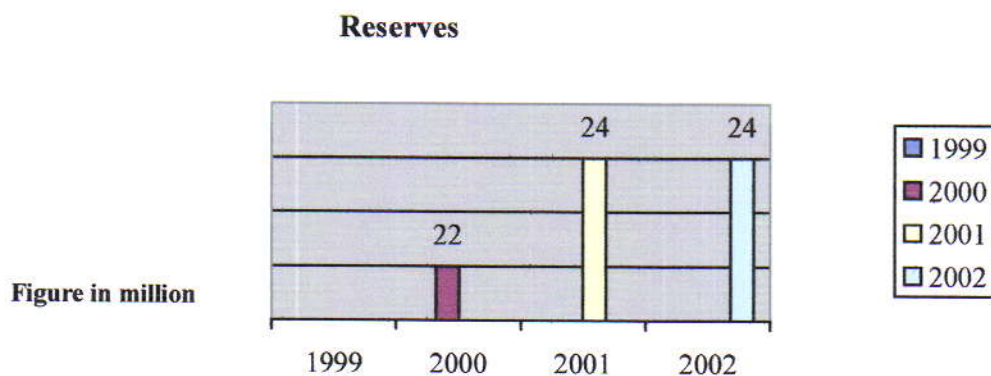
The bank mustered total deposit of Tk.5230 million as on December 31,2002 as against total deposit of Tk.3080 of preceding year. The rate of increase is 70%. Competitive interest rate & deposit mobilization efforts of the Bank contributed to a notable growth in deposit. The deposit schemes of the bank attracted a large member of small and medium savers in the country. By the year 2001 deposit under the schemes stood at Tk.134.60 million. Efforts are being made to broaden the denosit base while reducing the average cost of funds.

## Deposit in figure



## RESERVED FUND:

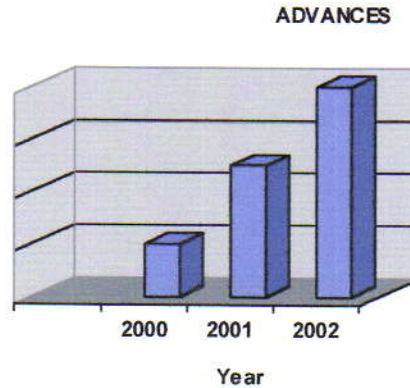
The Bank raised it's reserved from Tk0.202 million to Tk.24.00 million which is quit momentous, compared to the position of the previous year.



## ADVANCES

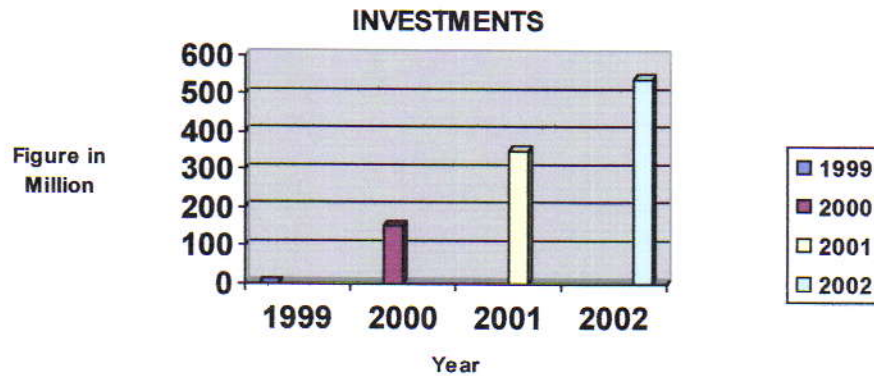
The bank continued to explore and diversity the area of operation to extend credit facilities throughout the year to the various sectors of the economy.





The total loans and advances of the Bank stood at Tk.4102 million as on December 31, 2002 compared to Tk.2540 million as on December, 2001 indexing an increase of 61%. Efforts are being made by the management to maintain a very high quality of assets as a result of which the ratio of classified loans is nil. The Bank has retained 1% provision against unclassified loans as per Bangladesh Bank norm, which is reflected in the Balance sheet.

**Investment Portfolio:**

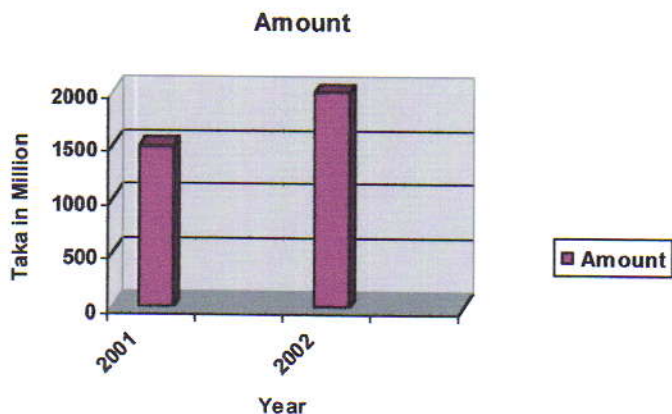


In an effort to secure more stable and predictable earning from investment, the bank focused its attention on investment in Govt. securities, shares, and call money market. The quantum of investment of the Bank as on 31<sup>st</sup> December, 2002 stood at TK 540.40 million against TK 350.40 in 2001 showing an increase of 65%.

**EXPORT**

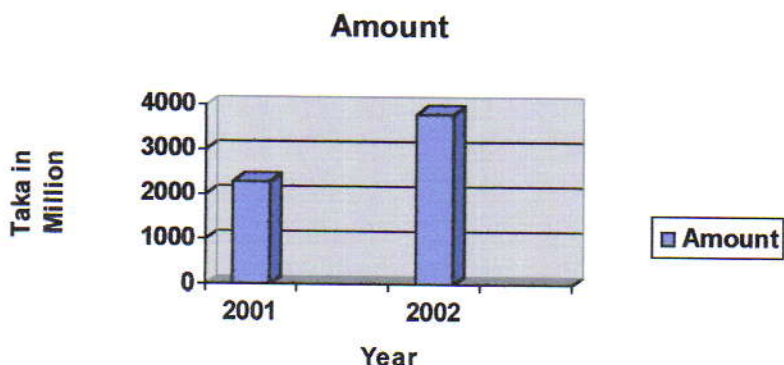
The Bank handed 545 nos of Export Bills amounting to Tk1988.40 million as of December 31<sup>st</sup>, 2002 as against Export Bills amounting to Tk1514.50 million during the preceding year. The growth rate is 31.29% in this sector. Export items handled by the Bank include Jute goods,

readymade garments, leather and leather goods etc. Export is one of the major earning sectors of FSBL, and the bank intends to concentrate more in this area of business in the upcoming years.



**IMPORT**

FSBL handled Tk.3750.60 million in import during the year 2002 compared to Tk.2222.60 in the year 2001 and it increases by 68.75%. The Bank has established 699 letters of credit amounting to US \$ 17.20 million during the year 2002. The growth rate is 68.75% in this sector. The main items of import were industrial raw materials, consumer goods, machinery fabrics and accessories etc.

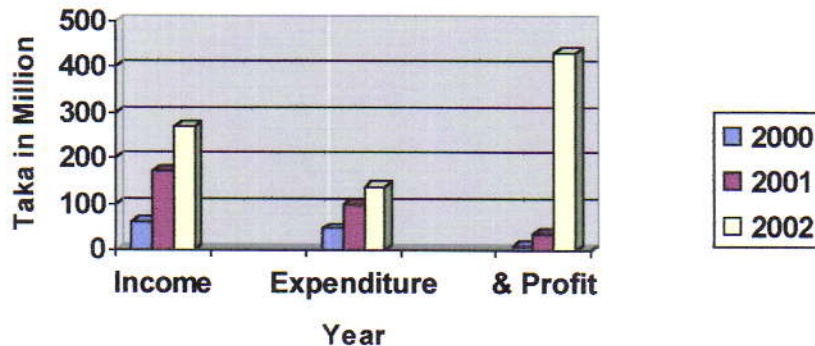


**PROFIT AND OPERATING RESULT**

The operating profit of the bank increase from 35 million to 43 million during the year 2002 compared to the previous year. It shows 122% increase.



### Income, Expenditure, & Profit



### TREASURY

FSBL since inception, integrated treasury dealing of local money and foreign currency operations by handling a significant value of treasury transaction.

### FOREIGN REMITTANCE

Foreign Remittance handled by the bank stood at TK 200.25 million as of December 31<sup>st</sup> 2001, country from which inward foreign remittance were received included USA, UK, Canada, Japan, Taiwan, KSA etc.

### COMPUTER DEPARTMENT

Computer department is a very important of a bank. The information of all accounts and daily transactions are recorded in the computer. All the branches of FSBL use PC bank software for general banking, amort software for loan processing and loan amortization. As the Credit Information Bureau of Bangladesh Bank become strict in loan recovery, Bangladesh Bank has introduced new software for tracking the information creditors of the bank.

## **SWIFT**

The Bank has become a member of SWIFT (Society for Worldwide Inter Bank Financial Telecommunication) in 2001, which provide fast, secured and accurate communication network for financial transaction such as letter of credit, fund transfer.

## **READY CASH CARD SYSTEM**

The Bank signed an agreement with American International (BD) Ltd. For introducing "First Security Bank Ready Cash Card". By using this Card the customers are able to deposit or withdraw from any branch of FSBL, Janata Bank, Sonali Bank. The card holders are also be able to pay telephone, water, and electric & gas bills without standing in a long queue in Banks & purchase every item from 300 selected famous retail shops by using Card instead of cash.



## FSBL (2000-2001)

### Progress at a Glance:

SL. NO.	Particulars	2000	2001	2002(June30)
01.	Authorized Capital	1000.00	1000.00	1000.00
02.	Paid-up Capital	200.00	200.00	0.20
03.	Reserved	0.20	10.35	0.01
04.	Deposit	1539.58	3080.19	3.07
05.	Advanced	868.27	2539.80	3.24
06.	Investment	121.64	205.32	0.42
07.	Foreign Exchange Business			
	a) Import	6931.37	3916.11	-
	b)Export	353.43	704.47	-
	c)Remittance	-	-	-
08.	Operating Profit	16.62	70.59	-
09.	Number of Employees	-	-	200
10.	Number of Branches	-	-	10
11.	Total Assets	2.21%	3.18%	5.16%
12.	Total Profit After Taxation	8.99	34.51	0.069 (Before Provision)

## **2.4 MANAGEMENT HIERARCHY OF FIRST SECURITY BANK LTD:**

### **Top- Down Approach**

<b>MANAGING DIRECTOR</b>
<b>DEPUTY MANAGING DIRECTOR</b>
<b>EXECUTIVE VICE-PRESIDENT</b>
<b>SENIOR VICE-PRESIDENT</b>
<b>VICE-PRESIDENT</b>
<b>SENIOR ASSISTANT VICE-PRESIDENT</b>
<b>ASSISTANT VICE-PRESIDENT</b>
<b>SENIOR PRINCIPAL OFFICER</b>
<b>PRINCIPAL OFFICER</b>
<b>SENIOR OFFICER</b>
<b>OFFICER</b>
<b>JUNIOUR OFFICER</b>
<b>ASST. OFFICER</b>



## 2.5 CORPORATE INFORMATION

### *Registered Head Office*

First Security Bank Ltd.  
23, Dilkusha Commercial Area,  
Dhaka-1000, Bangladesh.  
Telephone: 9560229, 9564733, 9570979, 9570224  
Fax : 880-2-9561637  
Telex : 642533 FSBL BJ  
E-mail : fsbl@bdcom.com

*Date of Certificate of Incorporation* 29<sup>th</sup> August 1999

*Date of Certificate of Commencement of Business* 29<sup>th</sup> August 1999

*Date of Commencement of Business* 29<sup>th</sup> August 1999

### *Auditors*

M/s. S. F. Ahmed & Co.  
Chartered Accountants  
House # 25, Road # 13A,  
Block # D, Banani, Dhaka-1213,  
Bangladesh.

*Equivalents* : 1Crore = 10 Million

\$ 1.00 = Tk.59.30 on 31st December 2002.

PART: TWO

CUSTOMER - SERVICE

CHAPTER THREE

FRONT END-BANKING

- 3.1 RECEPTION & A/C OPENING
- 3.2 REMITTANCE & RECEIPT
- 3.3 CASH



## **CUSTOMER SERVICE**

### **3.1 RECEPTION & A/C OPENING**

The importance of receptionist in private commercial can't be ignored, rather I consider it one of the vital function by which different departments of the banks are coordinated. Different departments on First Security Bank Ltd are connected by telephone network. Reception desk is the platform and it is the basic medium of communication of the bank among its wide varieties of customers and related parties. In reception & a/c opening desk I worked from February 1 to February 8 and within these days I also came across how to open various types of accounts and what are the requirements to open such accounts.

### **3.2 RECEIPTS AND REMITTANCE**

Receipts mean the ways that FSBL gets fund from people. It includes Saving Deposit Account, Current Account, Fixed Deposit Receipt (FDR), Short – Term Deposit (STD), Double Benefit Deposit Scheme(DBDS) and Monthly Saving Scheme (MSS).

#### **RECEIPTS:**

##### **Saving Deposit Account**

There are some requirements for opening a saving account. One who wants to open a saving account has to

- a) Fill up the account opening form,
- b) Submit two copies of singed photograph,
- c) Fill up a signature card and
- d) Arrange an introducing person who has already an account in the bank.
- e) Nationality Certificate or photocopy of passport.

The savings account may be in one name-‘Personal Savings Account’. It may be in two or three names when it is called ‘Joint Savings Account’. The Joint Savings Account may be opened on behalf of benevolent or social organizations.

For savings deposit accounts the banks have certain restrictions of withdrawing. Ordinarily, up to Taka 20,000, a seven days notice is required. Otherwise, interest for that particular month is forfeited. A minimum balance of Taka 2,000 is requirement to earn interest. The bank reserves the right to change the minimum balance requirement and to close such account with prior notice if the balance falls below the minimum amount.

##### **Current Account**

This type of account is usually maintained by business enterprise for carrying out their day-by-day business activities. It dose not bear any interest and it dose not impose any restriction on

withdrawals of money. It must have a minimum monthly average balance of TK. 25000 and if it falls below TK. 300 shall be charged half yearly as penalty. The minimum deposit amount for operating current account is TK. 25000.

### **Types of Current Account:**

There are several types of current account available at the FSBL namely

- a) Personal Current Account,
- b) Joint Current Account,
- c) Proprietorship Current Account,
- d) Partnership Current Account,
- e) Limited Company Current Account,
- f) Account of Societies Clubs etc.

The basic difference between a current account and a savings account is that current account does not calculate any interest. The current accounts are usually entrepreneurs, business organization, companies' etc.

For opening current account there are some additional formalities besides those mentioned above.

- i) For personal Current Account a photocopy of trade license and TIN certificate is required.
- ii) In case of partnership, photocopy trade license, TIN certificate and partnership deed is required.
- iii) For limited company, a certificate copy of memorandum and articles of association, certificate of incorporation, certificate commencement of business, list of directors, copy of resolution of the meeting of the board of directors, and list of names and specimen signature of those persons authorized to operate the account duly authenticated by Chairman/Managing director are to be submitted.

### **TERMINATION OF AN ACCOUNT:**

The customer or FSBL may close an account or any related service at any time. The customer shall receive any finally collected and available balance after recovery charge of all dues to the bank in the account as at the time it is closed. In case of current account, the bank charges TK.200 for closing of account where as TK.100 for closing of saving account.

### **Short - Term Deposit (STD)**

Short-term deposit account can be opened with Taka 5,000 as balance. This account is operated and maintained like a current account.



## **Fixed Deposit Receipt (FDR)**

As like other commercial banks FSBL offers FDR for different amounts at different interest rates for different period of time. In the receipt holders' name and other particulars are kept as secret documents in the bank. In the documents the name of nominee is also incorporated. If any holder of the receipt wishes to encash receipt before the maturity banks usually do not pay the interest. But FSBL, as goodwill pays a lump-sum amount of interest to the FDR holder. The rate of interest offered by FSBL as follows:

### **Interest rate of FDR**

Period	Up to Tk.50lac	50lac-100lac	Above 100lac
1 Month	8.25%	7.75%	8.00%
2 Month	8.75%	8.00%	8.25%
3 Month	9.00%	8.25%	8.50%
6 Month	9.50%	8.50%	9.00%
12 Month	10.00%	9.00%	9.50%
24Month	9.50%	10.00%	10.50%
36Month	10.50%	10.50%	11.00%

### **Payment of Interest and Encashment of FDR:**

1. On request from customers, overdue fixed deposit receipt may be renewed partly or fully from the date of Maturity of the original receipt. Banks at the prescribed rate would allow interest on such renewed FDR from time to time.
2. If FDR are made for a period up to three months but encashments are not made before maturity no interest would pay able to the depositors nor will any penalty be charged for such premature encashment.
3. If FDR are made for a period of more than three months but encashments are made before expire of three months, no interest will be paid nor will any penalty be charged for such premature encashment.
4. For FDR made for a period of more than three months but encashment is allowed after expire of three months but before maturity, interest will be paid at the prescribed rate for the actual period the amount remained deposited with the bank and at the same time penalty equivalents o three months interest at the same rate will have to received.



5. Interest will be calculated at maturity where the period of maturity is one year or less. In case of maturity exceeding one year, interest will be calculated at annual rest and accordingly, depositors will have the option of withdrawing interest accumulated every twelve months or can leave the interest with the principal to be compounded.

### **Monthly Saving Scheme (MSS)**

Monthly Saving Scheme is as same as Fixed Deposit Receipt. In this scheme the client has to pay an amount fixed by the bank in each month. Client has to pay the amount within the first ten days of the month. The least maturity time of this scheme is 5 year. A client cannot draw the money before the maturity period. After the attainment of this maturity period client will get an amount along with the interest.

<b>Period</b>	<b>Monthly Installment</b>	<b>Monthly installment</b>	<b>Monthly installment</b>	<b>Monthly installment</b>
	500	1000	2000	5000
5 years	41400	82800	165000	414000
8 years	81800	163600	327200	81800
10 years	118450	236400	472800	1184500
12 years	142200	284400	568800	1421400

### **Monthly Benefit Saving Scheme (MBSS)**

It is same as MSS. The basic difference between MSS and MBSS is here the depositor has to deposit at least Tk.25000 at a time. After 5 years, the depositor get amount. If the depositor draws his money before six month, then he will get no interest. The depositor can have loan against the depositor amount. He can have maximum 80% loan against the amount. But in this case he has to give 16% interest.

<b>Deposit</b>	<b>Amount of Benefit</b>
25000	250
50000	500
100000	1000
200000	2000

### **Double Benefit Deposit Scheme (DBDS)**

This scheme is the most profitable deposit for the clients. The period of deposit is of 6 (six) years. The amount of deposit is at least Tk10, 000. One can withdraw his money before maturity in urgent cases. In this case interest rate of the withdrawing year will be applicable. After the maturity the deposited amount will be doubled.

### **Securities (Sanchay Patra)**

- a) Sales of Sanchaypatra (BSP, PSP etc)
- b) Enchantment of Sanchaypatra

### **Types of Sanchoy patra:**

- 1) Eight Years Protirakkah Sanchoy Patra (PSP).
- 2) Five Years Bangladesh Sanchoy Patra (BSP).
- 3) Three Years Sanchoy Patra Interest on Half Yearly Rest.
- 4) Five Years Sanchoy Patra Interest on Quarterly Rest.

### **Interest Rate offered in different types of Sanchaypatra**

	1 <sup>st</sup> year	2 <sup>nd</sup> year	3 <sup>rd</sup> year	4 <sup>th</sup> year	5 <sup>th</sup> year	6 <sup>th</sup> year	7 <sup>th</sup> year	8 <sup>th</sup> year
PSP	10.75%	11.75%	12.75%	13.75%	14.75%	15.75%	16.75%	17.75%
5 years BSP	10.5%	11.5%	12.5%	13.5%	14.5%	N/A	N/A	N/A
3 years SP (3M)	13.50%	13.50%	13.50%	N/A	N/A	N/A	N/A	N/A
5 years SP (6M)	13.50%	13.50%	13.50%	13.50%	13.50%	N/A	N/A	N/A

### **Reporting:**

After selling the sanchay patra, FSBL report to Bangladesh Bank within seventy – two (72) hours and FSBL gets commission from Bangladesh Bank. The withdrawal of interest by the client will also be reported to Bangladesh Bank.

### **Entry:**

General ledger Entry:

Sanchay Patra--- --- --- Credit  
Cash/Cheque --- --- --- Debit

After Reporting To Bangladesh Bank:

FSBL General Account ----- Credit  
Sanchay Patra --- ----- --- Debit

## **REMITTANCE:**

### **A. PAY ORDER:**

It is an unconditioned order of the applicant to make payment a specified amount favoring a specific person. It is usually issued within the municipal area. Payment should be made from the issuing bank/branch through clearing/transfer/cash.

Pay orders are the safest way of making payments, as they are drawn on the bank issuing them. So there is no scope of fraudulence or cheques bouncing. A pay order is issued only within the members of the **Bangladesh Bank** clearing house (Dhaka Metro). It can be issued in favor of a customer holding an account; cash equivalent of the payment plus pay order charges is received in cash and held in the daily suspense account until the payment is made through clearing.

The account payees submit the pay order in their specific banks. The banks then send the pay order to the clearinghouse where the respecting issuing banks receive them. The issuing banks verify the pay orders, which are then, send back to the respecting banks and payment made by debiting the bills payable account. Entries are made on the fund transfer system.

#### **Charges of Pay order:**

<b>Amount</b>	<b>Commission in TK</b>
1-1,000	15
1,001-10,000	25
10,001-5, 00,000	50
5, 00,001& above	100

### **B. Pay Slip:**

Bank meets its own expenses through **Pay Slips**. For its day-to-day transacting bank has some expenses of its own. Bank uses pay slips for this purpose.

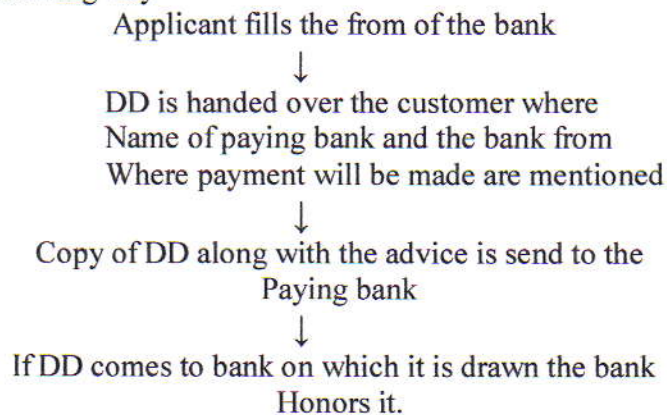
### **C. DEMAND DRAFTS:**

Demand draft is unconditioned payment order payable on demand and drawn on a specific bank.



DD is basically the same as pay orders, but it can be drawn other branches of First Security Bank, Sonali Bank, Foreign agency account, Bangladesh Bank. A DD is drawn on the bank's other branches when payment has to be made outside Dhaka. The bank has to have a branch over there and the payer should have an account with the bank. For example, a DD can be drawn on FSBL, Chittagong since they have existing branches over there.

A DD works in the following way-



#### **D. TELEGRAPHIC FUND TRANSFER (TT):**

It is the means of interest transfer of fund from one bank to other bank where the customer is maintaining his account. The customer is allowed to draw the amount for the bank thereon. Telegraphic transfers can be both inward, in local and foreign currency. It can be issued through cash/chaques. The bank charges minimum commission of TK.100 along with Telex charges TK.50 and postal charge TK.50.

Telegraphic transfers can be both inward and outward, in local and foreign currency. All incoming Telexes are receiving in the telex room and test agreed. One copy of the Telex is kept in the file and other is worked on. Payments of incoming TT's are made either by issuing DD's or pay orders depending upon the requirement of the customers.

- a) If the purpose of the incoming remittance in foreign currency is not known, the customer is informed about the remittance, he then has to fill a C-from, mentioning the purpose.
- b) In case of indenting or Agency Commission, there are certain charges that have to be deducted before payment is made. A 15% VAT is deducted in the case of Agency Commission and a 5% tax plus a 15% VAT is charged for the Indenting Commission. The tax amount is held in suspense account and the same is paid to Bangladesh Bank after 10 days.

## **E. SHANCHAYPATRA:**

- Sales of Shanchaypatra (BSP, PSP ETC).
- Enchanment of Shanchaypatra

Four types of Shanchaypatra available, which are:

- Eight Years Protirakkah Shanchaypatra (PSP).
- Five Years Bangladesh Shanchaypatra (BSP).
- Three Years Shanchaypatra Interest on Half Yearly Rest.
- Five Years Shanchaypatra Interest on Quarterly Rest.

## **3.3 CASH:**

In this department all transactions associated with the bank are made. Customers can draw money upon depositing chaques/pay order and so on. On receiving the cheque and making payment, the transaction is posted in to computer, which led to the balancing of accounts at the end of the day. Volt management is another part of operation of cash department. IT usually works like a market where the money is sold and bought.

$NET\ RECEIPT = CASH\ IN\ HAND + TOTAL\ RECEIPT - TOTAL\ PAYMENT$

Today people do not have enough time to stand in a cue for depositing or withdrawing. **FSBL** provides efficient services within the shortest possible time as

1. Computer is used for recording purpose
2. Teller machine is used to count money
3. Efficient team of professionals assures their best service and cooperating towards the customers.

**PART: THREE**

**INTERNAL-BANKING**

**CHAPTER-FOUR**

**CREDIT**

**CHAPTER-FIVE**

**FOREIGNEXCHANGE**

**CHAPTER-SIX**

**ACCOUNTS & CLEARING**



## CHAPTER FOUR

### CREDIT

The making of loans and advances has always been prominent and profitable function of a bank. Commercial banks deal with the money from the depositors repayable on demand. So, they cannot afford to lodge up their funds for long periods. FSBL usually grants short-term advances that are utilized to meet the working capital requirement of the borrower. Only a small portion of its demand and time liabilities is advanced in long-term basis where the banker usually insists on a regular repayment by the borrower in installments. Advances in the FSBL are made in different forms such as loans, overdrafts, cash credits etc.

#### LOANS:

When an advance is made in a lump sum repayable either in fixed monthly installments or in lumps and no subsequent debit is ordinarily allowed except by way of interest, incidental charges, etc., it is called a loan. Loans are normally allowed to those parties who have either fixed sources of income or who desire to pay it in lump sum.

#### Term loan:

Term loan is determined on the basis of period. These loans are provided in different sectors of the economy.

Short term loans	From 1 to 3 year
Mid term loans	From 3 to 5 year
Long term loans	above 5 year

#### Types of Term loan:

##### A. CONSUMER FINANCE SCHEME (CFS):

CFS is offered to fixed income group to finance purchase of consumer's durable to raise their standard of living. Loan is given for purchasing TV, refrigerator, Air-conditioner, washing machine, movie camera, computer & computer accessories, Furniture, Kitchen items, (i.e. oven blender etc.), Telephone, New/reconditioned vehicles. Loan is given to Govt., Semi-Govt. & autonomous bodies, bank's insurance & other finance institution, professionals like doctor, CA, lawyers, teachers etc, officers of reputed private organization & MNC having corporate structure, firms and corporate bodies.

#### Procedures to apply:

1. Application in Banks prescribed form.
2. Two passport size photographs duly attested,
3. A certificate of net monthly income from the employer (in case of service holders)
4. Suppliers should be authorized by the bank.

**Documents demanded by the bank:**

- i) D.P. note
- ii) Letter of installments.
- iii) Letter of Hypothecation.
- IV) Loan agreement under CFS.
- v) Letter of guarantee.

**Amount of loan**

Total amount of credit is determined in such a manner that monthly installment does not exceed 50% of the disposable income of the customer. Maximum amount of loan under this scheme is Tk. 10.00 lac. The rate of down payment is as fewer than 40% on vehicles. 30% on photocopier, Movie camera, washing machine & micro oven. 20% on other items except the above down payment is payable before availing the loan (except for employees of the bank).

**Cost of the loan:**

Application fee:	TK. 100
Interest rate:	TK. 16% p. a.
Security charge:	TK. 01% p.a.(not applicable for the bank).
Risk fund:	TK. 1% no the amount of loan at the time of disbursement.

**B. HIRE PURCHASE SCHEME**

Hire purchase facility is another form of term loan offered by First Security Bank Limited. The feature of Hire purchase that usually the deposit has to be paid and the rest of the purchase price are spread over a period-6 months, 2 years or sometimes even longer, the article being regarded as the property of the bank until the final pavement has been made. Hire purchase normally allowed to those persons who have either fixed source of income or desire to pay it in lump sum.

**Interest rate:** 16% per annum.

**Terms and Conditions:**

- i) The purchased item will be covered by first party comprehensive insurance polity through out the loan period and the premiere for the policy of each year will be borne by the client.
- ii) Detail feasibility report containing marketing, financial, technical, socio-economic aspects showing detailed break-up of project cost and other usual financial analysis duly supported by its assumption.

**Treatment of Term loan:**

The whole amount of loan is debited to customer's name of a loan account to be opened in the ledger and is paid to the borrower by way of cash or by way of credit to his current account/savings account. Interest is charged on the entire amount of debit balance, usually with the quarterly rests unless there is an arrangement of the contrary. After creation of loan, there



will be only repayment by the borrower. A loan, once repaid in full or in part, cannot be drawn again by the borrower. If the borrower desires further accommodation, it will treat as separate transaction.

**Documents to be obtained for Term Loan:**

1. Demand promissory notes
2. Letter of partnership (in case of partnership concern) or resolution of the Board of Directors (in case of Limited Companies)
3. Letter of arrangement
4. Letter of disbursement
5. Letter of pledge (in case of pledge of goods)
6. Letter of hypothecation (in case of hypothecation of goods)
7. Trust receipts (in case of T. R limits)
8. Letter of Lien and ownership (in case of advance against shares)
9. Letter of lien for packing credit (in case of packing credits)
10. In case of specialized/project loans documents to be completed in consultation with approved bank's Legal Advisor

**OVERDRAFT:**

The overdraft is a kind of advance always allowed on a current account operated upon by cheques. The customer is sanctioned a certain limit upon which, he can overdraw his current account within a stipulated period. Here withdrawals or deposit can be made any number of times at the convenience of the borrower, provided the total amount overdrawn does not, at any time, exceed the agreed upon limit. Interest is calculated and charged only on the actual debit balances on daily product basis. Thus the borrower in this case can save interest by reducing the debit balance.

**Types of Overdraft:**

**1) O. D. against Pledge of goods**

It may be extended to the borrowers against pledge of raw materials or finished goods as security. It is given according to the rules and margin restriction fixed by Bangladesh Bank and FSBL. The customer has to sign a duly stamped letter where the party surrendered the possession of the good to the custody of the bank.

**2) Overdraft against Hypothecation of goods.**

Credit facility is provided to the borrower by signing a letter of hypothecation creating a charge against the raw material or finished goods. It is kept to the bank as a primary security against the advance. Here both the ownership and physical possession is kept to the bank. Bank have all the right over the good hypothecated.

**Documents to be obtained for overdraft:**

1. Demand promissory notes
2. Letter of partnership (in case of partner ship concern) or Resolution of the Board of Directors (in case of Limited Companies)



3. Letter of arrangement
4. Letter of continuity
5. Letter of linen (in case of secured overdraft)

6. Letter of ownership (in case of secured overdraft)
7. General Loan & collateral agreement
8. Personal Guarantee of all Directors
9. Letter of Hypothecation
10. Cross Corporate Guarantee

### **Temporary overdraft:**

Sometimes in a current account overdraft is allowed to honor an important cheque without any prior arrangement thereof. Such facility by the bank to a first class party for short period is called temporary overdraft. In an overdraft account the balance may fluctuate day to day. It may increase by drawing of cheques by the customer and may decrease by payment into the account. It is essential that a letter of continuity must be obtained in the case of overdraft account.

### **CASH CREDIT:**

Cash credit is the favorite mode of borrowing by traders, industrialists, and agriculturist etc. for meeting their working capital requirements. This type of facility is always against pledge of goods, produce and merchandise. Cash credit is sometimes allowed against hypothecation of goods. In a manufacturing company, whose stocks of raw materials and manufactured goods constantly fluctuate, it is difficult for the bank to control such changes; so hypothecation facilities are allowed to them. The same is true to the small traders and small industrialists who cannot offer their stocks for pledge but can only hypothecate their stocks in their shops, etc. In this case ownership and possession of the goods remain with the borrower although by virtue of the hypothecation agreement, the bank can take possession of the goods if the borrower defaults. Cash credit in truest sense is against pledge of goods. It is a separate account by itself and, is maintained in a separate ledger. In addition, goods ledger, godown register, godown key register, godown index card, etc. are also maintained. Deliveries of goods are made on the strength of delivery order issued by the banks and, goods are received through goods invoice deposited by borrower. It is operated upon like an overdraft account.

### **Advantages of Cash credit:**

The principal advantages of a cash credit account to a borrower are that, unlike the party borrowing on a fixed loan basis, he may operate the account within the stipulated limit as and when required and, can save interest by reducing the debit balance wherever he is in a position to do so. Thus, cash credit account is an active and running account to which deposits and withdrawals may be affected frequently. The debit balance in any day should not exceed the agreed limit. The interest is charged on the daily outstanding and not on limit granted. Technically, a cash credit advance is repayable on demand, without any specific date of repayment. But in practice it continues for a long period.

**Documents to be obtained for cash credit:**

1. D. P. Notes
2. Letter of partnership (in case of partnership concerns) or resolution of the Board of Directors (in case of limited companies)
3. Letter of Arrangements
4. Letter of continuity
5. Letter of pledge (in case of pledge of goods)
6. Letter of hypothecation (in case of hypothecation of goods)
7. Letter of guarantee

**Other loans:****1. Secured overdraft (SOD) general:**

Advance allowed to individual/firms against financial obligation i.e. lien on FDR/PSP/Insurance policy/share etc. fall under this head. This may or may not be a continuous credit.

**2. Secured overdraft (SOD) FO:**

Loan is given against FDR, Shanchaypatra, Share, Debenture, Mss, MBSS, DBSS etc fixed securities.

**3. Secured overdraft (SOD) others:**

Advances allowed against assignment of work order for execution of contractual works fall under this head. This advance is generally allowed for a definite period and specific purpose i. e. it is not a continuous credit. It falls under the category "others".

**4. C.C. (Pledge):**

Financial accommodations to industrials/firms for trading, as well as for wholesaler to industries a working capital against pledge of goods as primary security all under this head of advance. This type of facility is more freely granted by banks than any other advance. In this case of advance, possession of the goods is delivered to the bank the good are ledge under bank's oak key either in bank's godown or borrower's godown.

**5. C.C. (Hypo):**

Advance is some times allowed against hypothecation of goods. It is called cash credit (hypothecation). It is suitable for a manufacturing company whose stocks of raw materials & manufactured goods constantly fluctuate. In case of C. C. (Hypo) the ownership & possession of the goods remain with the borrowers.



### **Characteristics of hypothecation :**

- i) Only movable assets & book debt can be hypothecated.
- ii) The charge is floating, present or future.
- iii) The stocks are constantly changing as buying & selling goes on regularly.
- iv) The lender has no effective control over the securities, as they are not in his possession, either actual or constructive.

### **6. Bank guarantee:**

Through a bank guarantee importers make payment to the exporters. If the importer fails to make payment to exporter then the bank remains liable for the payment. In this case bank has to pay the exporter. For this type of guarantee, client has to give 15% interest quarterly.

### **7. Bid bond:**

This type of guarantee is required in case of tender placing (Generally margin for bid bond is 10%)

### **8. Performance guarantees (PG):**

When a party got the tender then the party requires guarantee from the bank to run their normal trading.

### **9. Advanced payment guarantee (APG):**

When a party is paid a certain amount to finish a tender work then bank gives an advanced payment guarantee that an assurance that the bank will be liable in case of any mishappening.

### **10. Shipping guarantee:**

When the goods arrived before the papers then the bank gives shipping guarantee. After arriving of the papers the guarantee is returned.

### **11. Custom guarantee:**

It arises when code number of the good is not matched with the code number of the customs then it is needed. Here 100% margin or collateral is needed.

### **12. Bills Purchased:**

I. D.P. Notes.

- 1. Letter of partnership (in case of partnership concerns) or Resolution of the Board of Directors (in case of limited Companies).

2. Letter of Arrangement.
3. Letter of Hypothecation (bills).
4. Letter of continuity.

### **Risk Assessment :**

- **Credit risk :**

Credit risk is the oldest and perhaps the most important of all risks in terms of size of potential losses. The modern concept of mitigating the credit risks is to judge the earning potential and to the judge risk of security/guarantee offered. Obviously we should follow these rules. To understand the credit risk we should assess.

- **Default Risk :**

Basically it depends upon the credit standing of borrower. Such credit standing depends upon numerous factors such as the length of job, present position, life style, credit report (if any), organization, guarantor etc. Default probability cannot be measured directly but these factors can help us to understand the credit worthiness of the borrower. Our credit scoring system is very helpful to do so.

- **Exposure Risk :**

It is generated by the uncertainty prevailing with the future amounts at risks. For Hire Purchase loan, which there is a repayment schedule (loan amortization schedule), the exposure risk can be considered as small or negligible. Because credit is repaid with a contractual schedule, so that future outstanding balances are known in advance, except in case of prepayment.

- **Third-party guarantee risk :**

Guarantees are the contingencies given by third party to the bank. The corporate guarantee or the CEO or the immediate senior or equivalent rank can commit to pay instead of the borrower if the latter defaults. When the third party guarantee is readily enforceable, it turns the credit risk on the borrower into a credit risk on to the guarantor. Though our car loan contains the maximum credit exposure within the personal credit so to mitigate the risk our credit officers should visit the guarantor's office and collect credit report/information from other banks (if any). In case of corporate guarantee we should take care net worth, reputation and other related information.

## **SUPERVISION & MONITORING OF CREDIT**

### **Management of credit:**

Credit management is really a complicated task. Basically the total procedure of credit falls in credit administration. For monitoring of credit two things should be maintained-

- I) Credit file maintenance



## II) Facility evidence maintenance

### Recognition of problem loan:

The loan recovery officers find out whether there is any irregularity or not. If they find irregularity then they communicate with the party and take steps through discussion. The loan and advance department should be carefully finds out the problem loans and take necessary steps to solve them.

### Classification of loans :

Bangladesh Bank has set some instructions for classification of loans. Every commercial bank has to comply with those. FSBL follows the instructions set by Bangladesh Bank for classification of loans. It follows a five-step classification which is-

#### **i. Unclassified:**

The loans, which are paid in time, are called regular or unclassified.

#### **ii. Substandard:**

It is the preliminary stage of classification of loan. If the loan exceeds 6 to 9 month from the payment then it falls in this class.

#### **iii. Doubtful:**

When a loan exceeds 9 to 12 month from payment time then it is doubtful. That is the bank is in doubt whether they could recover it or not.

#### **iv. Bad or loss:**

Loan exceeds 12 month of payment and the possibility of recovery is almost nil.

### Stage of classification:

Classification	Period	Provision
Unclassified	Below 6 month	1%
Substandard	6 to 9 month	20%
Doubtful	9 to 12 month	50%
Bad or loss	12 month and above	100%

### Total amount of classified Loan of FSBL

Year	Total Loan Amount	Classified Amount	Unclassified Amount	% of Classified Loan
1999(31.12.)	64,949	0.00	64,949	0.00%
2000(31.12.)	7,52,604	0.00	7,52,604	0.00%
2001(31.12.)	2,539,794,699	59,042,587	2,480,752,112	2.324%
2002(31.12)	4,102,607,964	307,197,964	3,795,410,000	7.487%



## **Recovery**

The concern officers should follow-up regularly. Also periodical inspection and telephone content is also required. Surprise visit is fruitful in this regard. The division should prepare a quarterly sheet for loans and be careful that a loan can be adjusted before being classified.

Year	Recovery rate
1999	100%
2000	100%
2001	97.68%
2002	92.51%

### **3.3 FOREIGN EXCHANGE**

#### **CHAPTER FIVE**

#### **FOREIGN EXCHANGE**

An ordinary citizen usually perceives "foreign exchange" as foreign money. The term foreign exchange is used in a broader sense. It can simply be defined as a 'process of conversion of one currency into another.' The foreign exchange regulation act refers that foreign exchange means foreign currency and includes an instrument drawn, accepted, made or issued under clause (13) of article 16 of the Bangladesh Bank order, 1972, all deposits, credits and balances payable in any foreign currency and any draft, travelers cheques, letter of credit and bill of exchange expressed or drawn in Bangladesh currency but payable in any foreign currency.

In international trade because of distance involved, buyers and sellers do not know each other. Besides both these are subject to rules and regulations of their respective countries. It is difficult for them to appreciate each other's integrity and credit worthiness, and apart from this, it is also difficult to know various regulations prevailing in their respective countries regarding import and export. Thus the buyer wants to be assured of goods and the seller to be assured of payments. Commercial banks assure these things to happen simultaneously by opening a Letter of Credit guaranteeing payment to the seller and goods to the buyer. By opening a Letter of Credit on behalf of a buyer in favor of the seller, the commercial bank undertakes to make payment to the seller subject to submission of documents drawn in strict compliance with the letter of credit terms giving title to goods to the buyer. Thus, Letter of Credit is a conditional guarantee.

#### **Foreign Exchange and Foreign Trade**

Foreign exchange like foreign trade is a part of economic science. It deals with the means and methods by which rights to wealth in one country's currency are converted into those of another country. By the same token, it covers the methods used for conversion, the forms in which such conversions take place and the causes that render these conversions necessary.

#### **Modes of Foreign Exchange**

On the basis of the various services regarding the foreign exchange provided by the FSBL, it can be segregated into three categories:

- a. Export**
- b. Import**
- c. Foreign Remittance.**

#### **A) IMPORT:**

- 1. Letter of Credit Opening.

2. Presentation/Retirement of import documents.

### **1. Letter of Credit Opening:**

#### **Definition:**

L/C is an concurrence where by a bank (the "issuing bank") acting at the request and on the instructions of a customer (the Applicant) or on its own behalf is to make a payment to or to the order of a third party (the "beneficiary") or is to accept and pay bills of exchange drawn by the beneficiary.

#### **Four banks are involved in L/C opening:**

1. L/C opening bank.
2. Advising bank.
3. Negotiating bank.
4. Reimbursement bank.

#### **Features of an L/C :**

##### **1. Parties:**

There are three parties in an L/C. They are-

- a) Bank
- b) Beneficiary
- c) Applicant

##### **2. Date:**

There should be a certain date. According to the rules of contract an L/C must contain the signing and maturity date.

##### **3. Value:**

An L/C should have a certain value and it must be mentioned in the contract.

##### **4. Number:**

The contract must be signed under a certain L/C which is given by the bank.

##### **5. Ship:**

How the goods are exported should mention in the contract. If it is exported by waterways then the name of ship and route should be mentioned clearly.

##### **6. IMP/EXP Form:**

After having registration the exporter/importer applies to the bank with trade license and ERC/IRC to get EXP/IMP form. If the bank is satisfied, then it issues an EXP to the applicant.

##### **7. Documents:**

Certain documents have to submit to the bank by the applicant.

##### **8. Conditions:**

There may be some other conditions like-  
i) Partial ship: Whether it is allowed or not



- ii) Trans-shipment: whether there is trans-shipment or not
- iii) Risk & responsibility: Whether bank or the party bears it

**9. Other instructions:**

- i) Drafts should be endorsed by the bank
- ii) Advising or confirmation charges are deducted from beneficiary's a/c
- iii) Original documents should be sent by reputed courier service.

**Investigations:**

While opening letter of credit First Security Bank Ltd. normally examines the following :

1. Buyers credit worthiness.
2. Import trade regulations.
3. Exchange control regulation.
4. Suppliers credit worthiness report.
5. Marketability of goods.

**Papers required opening L/C:**

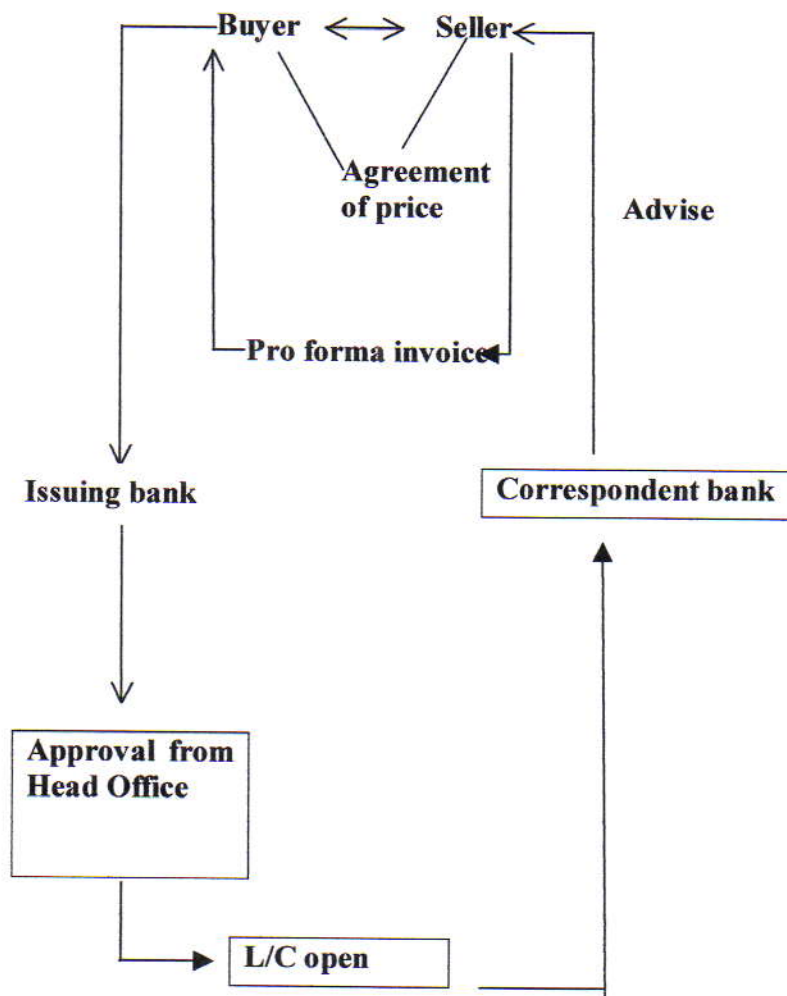
The buyer must submit the following papers at the time of opening a letter of credit

1. Application form.
  2. Indent or invoice.
  3. Insurance Certificate.
  4. Letter of Credit Authorization Form (LCAF)
  5. IMP Form.
  6. Taxpayer Identification Number Certificate (Tin Certificate)
  7. VAT Certificate.
  8. Import Registration Certificate (IRC) Export Registration Certificate (ERC).
  9. Current Account in the name of the L/C opening firm.
  10. Trade License.
  11. Credit Information Bureau Report from Bangladesh Bank. CIB report is required.
- i) For Proforma invoice-2 lac Taka
  - ii) For indent-5 lac Taka.

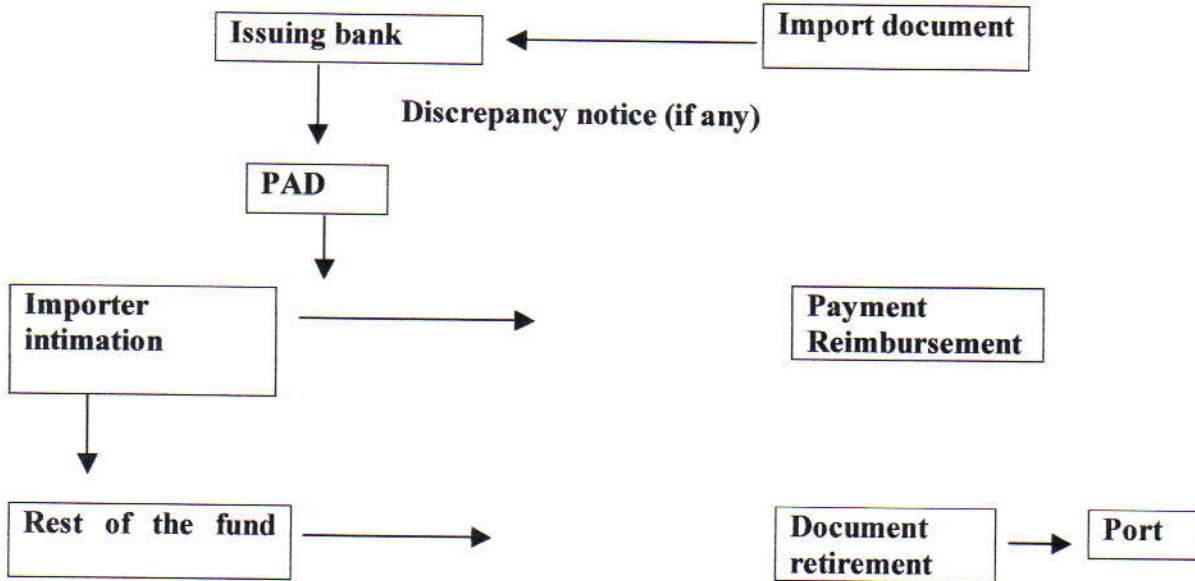
**Steps in L/C process:**

1. Application in letterhead pad.
2. Submission of pro forma invoice and insurance coverage note.
3. Permission from Head Office (Sanction Letter).
4. L/C opening.
5. Margin realization.
6. L/C sent to advising bank.
7. Pre-shipment Inspection formalities (if required)
8. Document received from negotiating bank.
9. Document from PSI firm (Clean Report of Findings or CRF report.)

**Steps in L/C Process  
(1)**

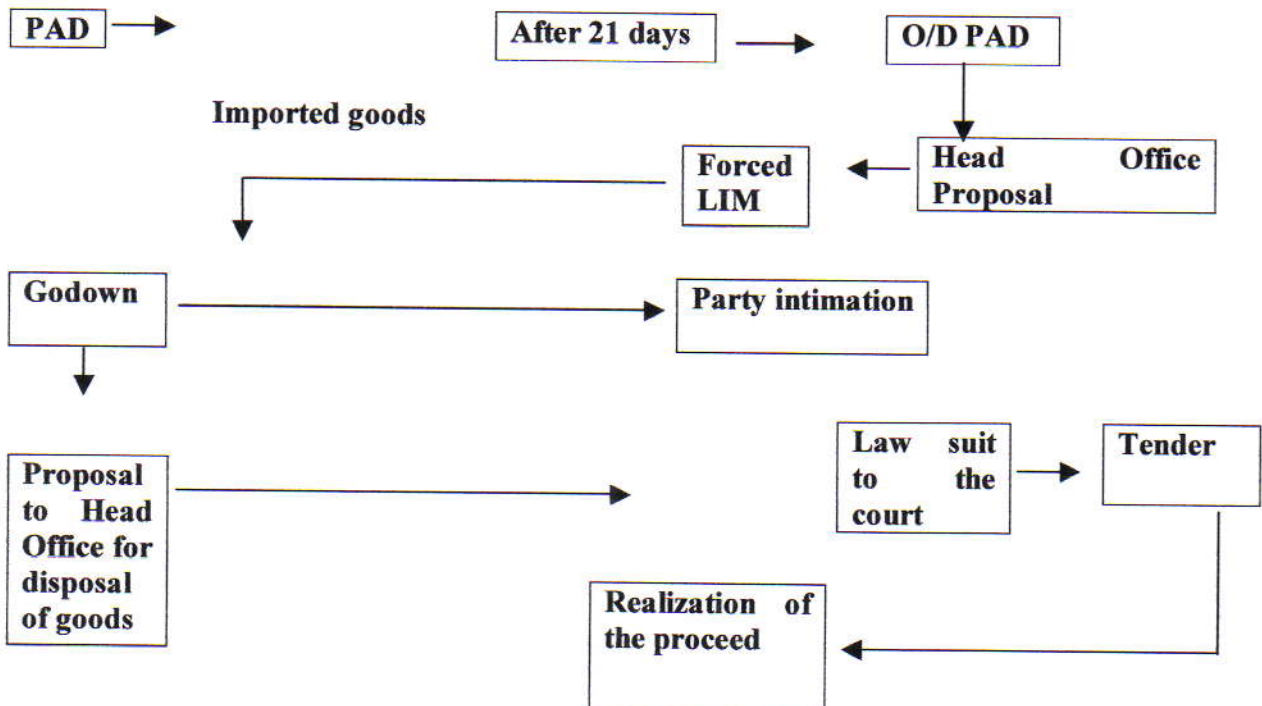


(2)



(3)

If the importer don't retire document





## **Import Procedure :**

### **1. Importer's application for L/C margin:**

The importer submits an application to the import department to have an L/C margin. After scrutinizing the documents the department prepares a proposal and forwards it to the Managing Director. If the MD is satisfied then he sanctions the margin and returns it to the import department.

### **2. L/C application:**

The party has to fulfill the L/C application form submitted by the bank.

### **3. Scrutinizing & transmission of L/C:**

When the party submits the fulfilled L/C form, import department scrutinizes it and transmits the L/C advice through telex, fax or mail.

### **4. Presentation of documents:**

If the seller satisfied with the terms and conditions, then it sends all the documents the negotiating bank. Having the documents the negotiating bank checks it. If they are in order then the bank sends acceptance to the seller's bank.

### **5. Lodgment of document:**

There are some requirements for lodging the document by the bank. These are as follows-

- i) After examining all the documents, if bank finds it in order then bank will lodge the documents as bills under letter of credit (BLC).
- ii) If any discrepancy is noticed in the documents or if there is any deviations from the terms and conditions of L/C, bank will be immediately brought to the notice of the importer for his written instructions as to whether the will accept the documents.
- iii) If the importer refuses to accept the documents with the discrepancies, issuing bank will intimate the negotiating bank immediately not to accept the documents.
- iv) If the importer accepts the documents but if the documents are not fulfilled the bank requirement or if it is against the Bangladesh Banking law, the bank may not accept the documents.

## **6. Payment procedure:**

The import officers must be very careful while making the payment. It includes the following:

- i) Date of payment
- ii) Preparing sale memo
- iii) Requisition for foreign currency
- iv) Transmission of telex.

## **7. Retirement of documents:**

Some matters are required to retire the documents by the importer, which are:

- When all the documents come to the bank, the importer will retire the documents of his/her own finance.
- If the parties are not in position to retire the documents, they may be allowed to retire their BLC through LIM/TR. In case of the parties are not responsive to clear the document, bank may create a forced loan against import and adjust the account by selling the goods.
- The consignment under LIM will be stored under bank's control. The delivery of consignment will be made to the parties against payment only.

## **Margin:**

The margin is fixed depending on the nature and type of security and the financial stability of the customer. The Bangladesh Bank regulations are of course kept in mind. FSBL retains a responsible margin and this is also to cover up any shortage, shrinkage, and fluctuation of rate and fall in price etc.

## **SOME LOANS OF IMPORT DEPARTMENT :**

### **Payment against documents (PAD):**

The opening bank lodges the shipping documents in their books and responds to the debit advice originated by foreign correspondents to the debit of payment against document (PAD) account.

### **Loan against imported merchandise (LIM):**

It is allowed against imported merchandise storing the same in the bank's custody. The bank through its approved clearing agent clears the merchandise. The advance is adjusted by delivering the goods against payment by the importer. The documents remain with the bank.

### **Loan against trust receipt (LTR):**

It is a form of short-term loan where the bank delivers the import documents against a trust receipt given by the importer to pay the bank's dues within a stipulated time period.

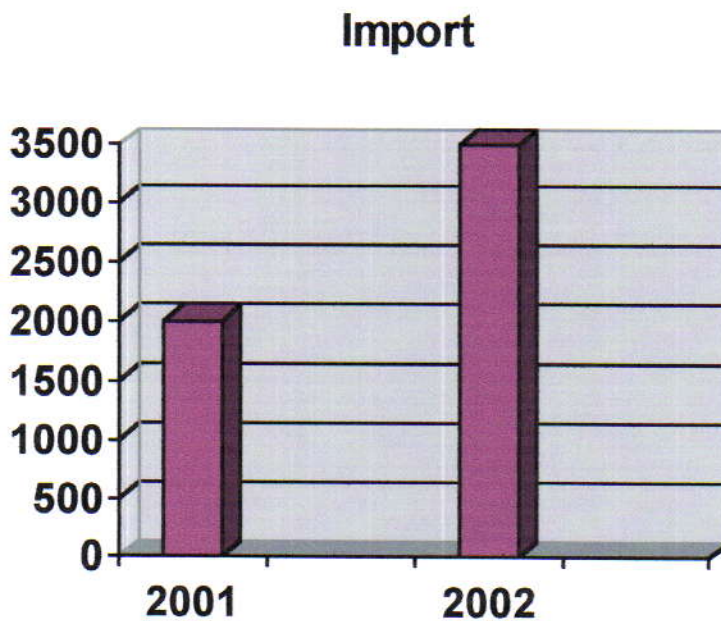
**Acceptance bill for payment:**

It is a short-term loan. Bank takes a commission from the party a/c. If it is for 90 days then the commission is 0.30% and if it is for 120 days then the commission is 0.45%.

**(C) Foreign Exchange Business:**

**(I) Import:**

The Bank's exchange business relating to imports into Bangladesh rose significantly by about 68.75%-- from TK. 2,222.60 million in 2001 to TK. 3,759.60 million in calendar 2002.



**• At the end of import**

The request for credit is analogous to that of giving an advance. Hence, similar precautions when granting an advance should be taken while establishing a letter of credit. A suitable margin will hence to be fixed considering all factors including Bangladesh Bank's restricting.



## **EXPORT DEPARTMENT:**

There are two types of exporters. They are as follows:

1. Merchant/trade exporter
2. Manufacturer exporter.

If the supplier is a merchant exporter, he will immediately start packing and shipping the goods. If he is a manufacturer exporter, he will start manufacturing the item. In either case, he will ship the goods when ready and obtain full set of Bill of Lading from the shipping company and submit the same, along with all other documents that are called for in the credit, to the bank.

### **Required documents:**

The documents usually obtained are

1. Bill of Lading or Air consignment Note or Post Parcel Receipt or Truck Receipt
2. Bill of Exchange
3. Commercial invoice
4. Certificate of origin
5. Packing List
6. Weight List
7. A copy of declaration of shipment made to the insurance company
8. Pre shipment inspection certificate from internationally reputed surveyor (Clean Report Findings)
9. Beneficiary certificate.

An exporter requires financial accommodation at two states, namely

- a) Pre-shipment stage
- b) Post-shipment stage

### **Pre- shipment Credit:**

Pre-shipment credit normally takes the following forms-

#### **Packing Credit:**

Packing credit is a short-term granted by a bank to an exporter to facilitate purchase of raw materials for the purpose of manufacturing processing, packing and exporting the finished goods. Bank is grantee the credit getting the evidence of a letter of credit or firm contracts in favor of the borrower. Southeast bank finances up to 70% of the total L/C value.

#### **Post Shipment Credit**

Post shipment credit is a financial accommodation extended to an exporter against export documents after shipment of the goods. When shipment of goods has already been made, the

exporter may require waiting for sometime to receive payment from foreign buyers. But an exporter be a manufacturer or regular supplier, has to make immediate payment the suppliers of raw materials, local seller of goods or to procure goods for further shipment. So an exporter always feels the necessity of post-shipment Banks finance to over come his revolving need of working capital in the process of export trade.

Before extending post-shipment credit to the exporter, First Security Bank takes into consideration the following things:

- Total credit value
- Performance of the exporter.

## **EXPORT PROCEDURE :**

### **1.EXPORT MECHANISM :**

Before and after shipment of goods an exporter has to fulfill a number of formalities. The procedure of export is as follows:

#### **a) Registration:**

All the exports from Bangladesh are controlled by the Ministry of commerce through Chief Controller of Imports & Exports (CCI&E). All exporters must be registered from CCI&E and must have a valid Export Registration Certificate (EXP). Otherwise he is not allowed to export any commodity from Bangladesh.

#### **b) Obtaining EXP Form:**

After having the registration the exporter applies to the bank with trade license and ERC to get EXP form. If the bank is satisfied then it issue an EXP form to the exporter.

#### **c) Securing order:**

After registration, the exporter may proceed to secure an export order.

#### **d) Signing the contract:**

Following points should be mentioned in the contract:

- Description of the good
- Quality of the good
- Price of the good
- Shipment
- Insurance
- Inspection

#### **e) Procuring the materials:**

After opening of the L/C the exporter is to set task to procure the materials according to the contract.

#### **f) Shipment of goods:**

Following documents are needed for shipment:

- EXP form
- Photocopy of IRC

- Photocopy of contract
- Photocopy of L/C
- Truck receipt
- Shipping instruction
- Insurance policy

Exporter submits all these documents to the bank for negotiation.

## **2. FOREIGN DOCUMENTARY BILL PURCHASE (FDBP):**

An officer scrutinizes the documents. If they are all right then the bank purchases them. If is known as foreign documents bills purchase. For this the bank takes charges from client's a/c.

## **3. FOREIGN DOCUMENTARY BILLS COLLECTION (FDBC):**

Bank forwards the documents for collection. Then the party gets the payment when the issuing bank gives payment.

## **4. ADVISING L/C:**

When the L/C is transmitted to the bank for advising the bank sends advising letter to the beneficiary informing that the L/C has been issued. The L/C advising procedure is:

- i) Verifying the signature
- ii) Giving entry in the L/C advising register
- iii) Issuing voucher for L/C advising commission.

## **EXPORT AT A GLANCE:**





Claim re-imburement  
↓  
Disbursement of fund

### **Red Clause Letter of Credit:**

Under an ordinary letter of credit the exporter receives payment for the goods exported by him only after the goods are shipped. In case the exporter needs pre-shipment finance he may request the foreign importer to ask his bank to open a Red Clause Letter of Credit in the exporter's favor. These payments are made in anticipation of the exporter shipping the goods and submitting the relative documents under the credit at a later date. These advance payments made are adjusted at the time of negotiation of the bill.

The pre-shipment finance is granted by a bank under Red Clause Letter of Credit on the basis of the authority contained in the body of the L/C itself opened by a foreign bank. Since the clause giving such authority is usually printed in red, such a letter of credit is known as "Red Clause Letter of Credit".

### **Back-to-back L/C (BTB):**

The original or master L/C backs this type of L/C. In this case, a bank's main security is the master L/C. The original L/C (selling credit) and back-to-back L/C (buying credit) is separate instrument are not legally connected though they are from the same business operation. In back-to-back L/C, The bank provides the exporter to import raw materials from overseas in order to produce the exportable goods. In this case, the bank offers some additional facilities.

Here the seller/exporter has to purchase the raw materials and accessories from another party to fulfill the order. In a back to back credit, the seller as beneficiary of the first credit, offers irrevocable credit as security to the advising Bank/confirming bank to open a second credit in favor of the exporter's/seller's own suppliers. So after exporting finished goods, the exporter will get money through the advising bank. FSBL normally opens back-to-back letter of credit for Garments sector.

### **Requirement to open BTBL/C:**

- 1) Master L/C
- 2) Valid IRC & ERC
- 3) L/C application and LCAF signed by the party
- 4) Pro-forma invoice/ Indent
- 5) Insurance cover note

### **Types of BTBL/C:**

1. Local BTB L/C
2. Foreign BTB L/C
3. EPZ BTB L/C

### **PRACTICE AND PROCEDURE:**

1. Before granting this L/C facility, the bank must take into account the experience of the customer in the particular line of export. The credit Worthiness of the exporter of his export performances is to be invariably ascertained after verifications of financial statements. Similarly the creditworthiness and solvency of the buyer are also to be required through foreign correspondent.
  2. The banks should insist upon their customers to lodge with export letter of credit opened in their (customer's) favor by the overseas buyers through first class foreign banks.
  3. The export letter of credit should be irrevocable, unrestricted and confirming banks must mark lien on it. Expire date of letter of credit should be properly recorded in the book and no drawing should be allowed against an expired letter of credit. If the goods are not shipped with in the date stipulated in L/C, the advance is to be recalled.
  4. In case of first class customers the facility may, however, be granted against firm contracts with overseas buyers. In such case the credit worthiness and the reputation of the foreign buyers are to be invariably ascertained before realization of any credit.
  5. Both irrecoverable letter of credit and the firm contract deposited with the bank must be carefully scrutinized to ensure that there is no onerous condition contained therein. Letter of credit and firm sale contract not only serve as evidence of definite arrangement for realization of the export proceeds but also main advantage of letter of credit and firm sale contract is that the customer cannot over estimate his requirement as the banker can verify them through these documents.
- Further, a letter of credit, besides indicating the extent of commitment of the overseas importer, also states in the precise terms the method of payment, the particulars of merchandise and the last date of shipment. It also states whether sight drafts have to be drawn. The bank should, therefore, ascertain the particular period for which the facility the is required.
6. If packing credit facility has to be given on the strength of a letter credit, the bank should know the status of the bank against a revocable letter of credit. If it is on the basis of a firm contract, status report on the foreign buyers must be obtained.
  7. The banker should scrutinize the letter of credit or, the sale contract, to find out whether it contains any conditions that cannot be fulfilled or which are difficult to be complied with.
  8. Exchange Control Regulations relating to exports should also be kept in view.



9. Sometimes packing credit advances may have to be made on a clean basis to enable the exporter to process the materials. Care should be taken to see that such clean advances are secured by goods meant for export, within the period agreed upon between the bank and the borrower, at the time of making the advance.

10. The bank officers should periodically inspect the goods and verify that they conform to the quantity and quality, etc. as mentioned in the particular letter of credit. If the goods are being processed, a visual inspection or a proper inquiry in the matter is necessary.

11. The exporter could be asked to make a forward sale of the foreign exchange to the bank if the bills have to be drawn in foreign currency. Thereby, he could protect himself against adverse fluctuations in the exchange rates.

12. As soon as the borrower delivers the shipping documents, the bank should scrutinize them to ensure that they are in order and are acceptable under the terms of the letter of credit.

13. Amount drawn, as packing credit advances should be adjusted in full by purchase or negotiation of bills relating to the relevant contract or letter of credit.

#### **BILL PURCHASED AND DISCOUNTED:**

Banks find a profitable way of employing funds for short periods, by purchasing and discounting bills. If this business is handled with care, banks can be reasonably certain that the bill amounts would be realized on definite date. If the acceptor of the bill fails to pay the amount on due date, the banker has the remedy to claim the whole amount from the customer, by debiting his account. Besides a bill of exchange is a negotiable instrument and it constitutes a comparatively liquid security. The banker, if he discounts a bill in good faith and for value, gets a better title than the transferor of the bill.

#### **BILL PURCHASED:**

Bills, clean or documentary, are sometimes purchased from approved customers in whose favor regular limits are sanctioned. In the case of documentary bills, the drafts are accompanied by documents of title to goods such as railway receipts or bill of lading. In the absence of such documents it is termed as a clean bill. Cheques, drafts, dividend warrants are clean bills. Before granting a limit, the banker satisfies himself as to the creditworthiness of the drawer as well as drawers of the bills particularly when the bills are drawn from time to time on the same drawers and the amounts are large. Although the term "Bill purchased" seems to imply that the bank becomes the purchaser or owner of such bills, it will be observed that in almost all cases, the bank holds the bills even if they are endorsed in its favor as security for the advance.

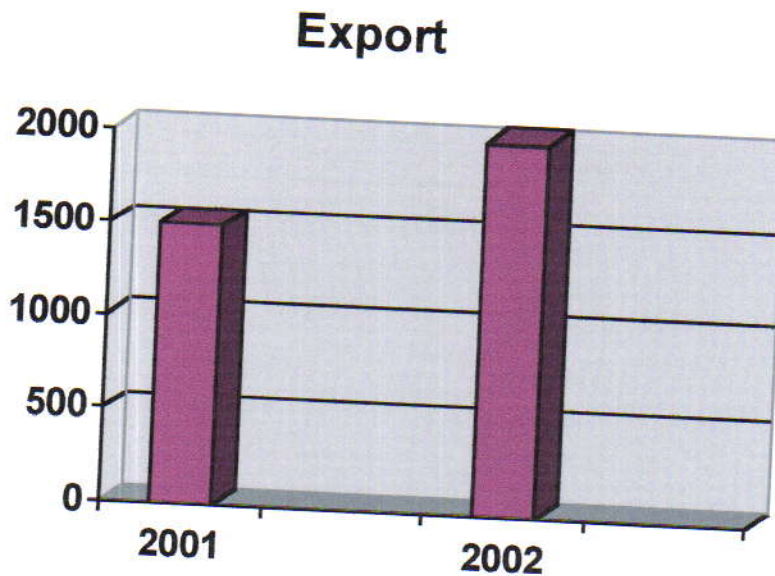


### **BILL DISCOUNTED:**

Usance bills or time bills maturing for payment after a certain of time, say, 30days,60 days, 90 days after date of sight are discounted by banks for approved parties. In case a bill, say for Tk. 100/-due 90 days hence, is counted to -day at 10% per annum, the borrower is paid Tk.975/-its present worth. The difference between the present worth and the amount of the bill represents of the banker for the period the bill is to run. In the banking terminology this item of income is called "discount".

### **(ii) Export:**

Similarly export business also showed an appreciable increase during the year 2002. Total export earnings amounted to Tk.1,514.50 million 2001 showing an increase of Tk.473.90 million representing a growth of 31.29% over the preceding year.



## **FOREIGN REMITTANCE**

According to Foreign Exchange Regulation Act 1947, the commercial banks or any other authorized dealer who has the Bangladesh Bank authorization can do Foreign Exchange. According to this act, TC (Travelers cheques), Drafts are included in Foreign Exchange, FSBL. Mohakhali Branch provides its customer foreign remittance facilities by issuing Foreign Demand Drafts, Travelers cheques, endorsing passport for cash etc.

A customer is permitted to endorse maximum 3000 USD per year for countries other than SAARC countries and USD 1000 for SAARC countries. If SAARC countries are to be visited by road then per 500 can be endorsed per passport ensuring that visa has been affix with that passport. At a time cash cannot be endorsed over 500.

The FSBL, Mohakhali Branch issues following drafts:

- Traveler's cheque
- Foreign Demand Draft
- Endorsement of cash

## **TRAVELERS CHEQUE:**

Traveler's cheque is very popular method of foreign remittance. It is usually used by the travelers who are willing to remit fund to the place where they are going to visit and encash it from there. Travelers Cheque is a substitute of cash and it is the safest method of transferring fund.

### **Issue of Travelers Cheque:**

#### **Requirements:**

There are some requirements, which are to be fulfilled by the TC purchaser:

- Passport holder himself to be present to issue Travelers purchasing.
- The passport has to be a valid one.
- Air ticket has to be confirmed.

#### **Steps involved in issue of TC:**

- After verifying all these documents, the customer is asked to fill up prescribed application form.
- In the application the customer states the amount he is willing to endorse and it is to be verified that his required amount is within the stipulated amount.
- Then the customer pays cash or by debiting his account the Travelers Cheque is issued.
- Endorsement is given on the passport and on the ticket. Customer fills up the Travel and miscellaneous form.
- purchase application form is prepared and handed over to purchaser along with the Travelers Cheque
- Entry is given in three registers: Foreign Currency Issue Register, Travelers Cheque "On Hand" Register and foreign Currency "In Hand" Register.



### **Payment of Travelers Cheque:**

When a customer wants to encase his TC he has to show his passport and it to be verified from the passport that he has traveled outside the country. Then

- The TC will have to be scrutinized very strictly.
- If everything in the TC is in order then the customer will be asked to give his signature on the place of "Counter Signature"
- If the signature agrees with the one in place of "the signature of the holder" then the payment will be the one in place of "the signature of the holder" then the payment will be made through giving cash to the customer or crediting his a/c.
- Travelers Cheque will be crossed and endorsement given on the back of the received TC.

### **ENDORSEMENT OF CASH:**

Cash Foreign Currency can also be remitted through endorsement in the passport. In case of endorsing cash on passport, the requirements are same as in case of travelers cheque. But the only exception is that the passport holder is not required to be present by himself.

### **FOREIGN CURRENCY ACCOUNT:**

The accounts maintained in foreign currencies are known as foreign currency account. The Authorized Dealers may open foreign currency accounts in the names of followings without prior approval from Bangladesh Bank.

- a. Bangladesh nationals residing abroad.
- b. Foreign nationals residing abroad or in Bangladesh and also foreign firms registered abroad and operating in Bangladesh or abroad.
- c. Foreign Missions and their expatriate employees.

### **FSBL, Dilkhusa Branch mainly operates to types of foreign currency account, namely:**

- a. Non-Resident Foreign Currency Deposit Account (NFCD).
- b. Resident Foreign Currency Deposit (RFCD).

#### **Non-Resident Foreign Currency Deposit Account (NFCD):**

All non-resident Bangladesh nationals and persons of Bangladesh origin including those having dual nationality and ordinarily residing abroad, may maintain interest bearing time deposit accounts named "Not-Resident Foreign Currency Deposit (NFCD) Accounts with the ADs.

#### **Eligible persons:**

- a. Bangladesh nationals working and earning abroad.
- b. Bangladesh nationals serving with Embassies / High Commission of Bangladesh in foreign countries including offices/ Staff of Govt. / Semi Govt /Autonomous / nationalized sector posted/deputed abroad.



- c. Shore staff posted abroad (Crew of BSC not entitled).
- d. Foreign nationals and companies registered and /or incorporated abroad, institutional investors and 100% (Hundred percent) Foreign owned industrial unit of EPZ (Minimum Amount USD 25000/- or equivalent).

**Fund:**

- a. Remittance from abroad.
- b. Transfer from existing foreign currency accounts maintained by wage earners.

**Amount:**

Minimum USD 1000/ (US Dollar one Thousand) or 500/- (pound Sterling Five Hundred) or equivalent.

**Currency:** US Dollar, sterling, Deutsche Mark, Japanese Yen.

**Rate of Interest:**

At present FSBL, Dilkhusa Branch does not provide any interest in FC account, Only NFCD & RFCD accounts are interest bearing.

**period:** one month, Three months, Six months and One year.

**Application:** Application in prescribed form along with set of specimen signature of opener duly verified by Bangladesh Mission abroad or Foreign correspondent of AD.

**Resident Foreign Currency Deposit (RFCD):**

Ordinary resident of Bangladesh may open and maintain Resident Foreign Currency Deposit (RFCD) accounts with foreign exchange brought-in at the time of their return from travel abroad. Any amount brought in with declaration to Custom Authorities in form F M J and up to US 5000/- brought in without any declaration can be credited to such accounts.

**Deposit:**

The depositors must submit a declaration mentioning date of return from abroad and the amount of Foreign exchange brought in at the time of crediting to RFCD account to the effect that Foreign Exchange (i) is not a receipt against export of goods or services from Bangladesh (ii) is not a commission due from abroad arising from business in Bangladesh.

Authorized Dealer should also examine passport of the depositor and FMJ form (exceeding equivalent US D 5000/-at the time of deposit to RFCD Account.

**Currency:** US Dollar, pound Deutsche Mark, Japanese Yen & Euro.

**Interest:**

The rate of interest shall be one quarter percent less than rate at which interest is paid on balance of bank in their foreign currency clearing accounts maintained with the Bangladesh Bank for the

required minimum balance of USD 1000/- Or 500/-(pound Sterling Five Hundred ) or equivalent with minimum deposit for one month.

**Use of Fund:**

- a. Balance may be transferred abroad freely.
- b. Fund from the account may be issued to account holder for foreign travel purpose as per rule (passport endorsement).

## CHAPTER SIX

### ACCOUNTS & CLEARING DEPARTMENT

Accounts section deals with the income and expenditure of the branch and stores each and every transaction of the bank. The accounts officers check all the paper works bills, vouchers, cheques and deposit slips every day. They also prepare a supplementary sheet. Supplementary sheet is prepared for bank's transaction security to avoid any fraud or misguidance. A Senior Principal Officer is designated in Dilkusha Branch as the account officer in-charge of the department. Supplementary sheet consists heads such as General, Transaction with clients and income & expenditure.

#### INWARD CLARING

Inward clearing involves clearing Cheque/DD/PO which come to the FSBL, Dilkusha Branch through clearing house for collection. The clearing officer receives then enters them in the inward logbook. Then sends them to the computer section for checking the account condition. If any problem is found with the instrument, it is marked as 'dishonored' mentioning the reason as mentioned above and he sends to the clearing officer. The clearing officer removes Cheque/DD from log book and informs the matter to the Dilkusha branch.

#### OUTWARD CLEARING

The cheques, PO, DD of different banks which are submitted to FSBL, Dilkusha Branch, for collection, are known as Out-Ward clearing cheque. The procedure is quite lengthy.

#### key tasks in clearing process:

1. Crossing
2. Clearing seal (clearing date)
3. Endorsement (payee's A/C credit)

#### Pay to:

1. Self
2. Cash
3. Party's name
4. Bank's name
5. Party + Bank's name
6. Bank's +Party



## PART: FOUR

### RATIO ANALYSIS & SWOT ANALYSIS

It is very important to carryout a detail financial analysis of organization in order to analyze the financial strengths and weaknesses of the company. At the same time the financial analysis of the company must be compared with other contemporary companies in order to analyze how the organization is performing vis-a-vis other companies.

It is important to provide a brief literary explanation of each indicator. This will help the readers interpret each of the ratios so they could get a comprehensive idea about the current status of FSBL by simply interpreting these ratios. The followings are the key ratios that have been used into the financial analysis accompanied their interpretation:

#### Liquidity Ratio/Current Ratio

This tells how many times the business can cover its short-term obligations using all of its short-term assets. A guideline of 2:1 is common. If a high ratio exists, it may reflect that the business is carrying more low earning assets than necessary to remain liquid. A low ratio may reveal potential difficulty in meeting the liabilities as they become due.

$$\text{Current Assets/ Current Liabilities} = \text{Current ratio}$$

#### Profitability Ratios

**i) Return on Equity (ROE):** This is the measurement that indicates the rate of return flowing to the bank's stockholders. It approximates the rate of return the stockholders have received in return for their capital invested (i.e. placing their funds at risk in the hope of earning suitable profits).

$$\text{ROE} = \frac{\text{Net income after tax}}{\text{Total equity capital}}$$

**ii) Return on Assets (ROA):**

This is primarily an indicator of managerial efficiency, it indicates how capable the management of the bank has been in converting the institutions assets (i.e. its total resources) into net earnings.

$$\text{ROA} = \frac{\text{Net income after taxes}}{\text{Total assets}}$$

**iii) Net Interest margin:**

This measure indicates how large a spread between interest revenues and interest costs management has been able to achieve by close control over the bank's earning assets and pursuit over the cheapest sources of funding.

$$\text{Net Interest Margin} = \frac{\text{Int. income from loan \& investment} - \text{Int. expense on debt issued}}{\text{Total assets or total earning assets}}$$

**iv) Net operating margin:**

This ratio indicates the management efficiency regarding the growth of revenues against rising costs of the bank.

$$\text{Net operating margin} = \frac{\text{Total operating revenue} - \text{Total operating expenses}}{\text{Total assets}}$$

**v) Earnings Per Share (EPS):**

This ratio indicates how the shareholders are earning against each share of the bank that they are holding.

$$\text{EPS} = \frac{\text{Net income after taxes}}{\text{Common equity shares outstanding}}$$

**vi) Net Profit Margin (NPM):**

This reflects the effectiveness of expense management and service pricing policies.

$$\text{NPM} = \frac{\text{Net income after taxes}}{\text{Total operating revenue}}$$

**vii) Asset Utilization Ratio (AUR):**

This reflects portfolio management policies (especially the mix and yield on bank's assets).

$$\text{AUR} = \frac{\text{Total operating revenue}}{\text{Total assets}}$$

**viii) Equity Multiplier (EM):** The bank equity multiplier reflects the leverage or financing policies, the sources chosen to fund the bank (debt or equity).



$$EM = \frac{\text{Total assets}}{\text{Total equity capital accounts}}$$

## RATIO ANALYSIS OF FSBL

For 1999-2001

Ratio	2001	2000	1999
Current Ratio	0.242	0.423	1.027
Return on Equity	16.3%	4.2%	(4.0)%
Return on Asset	0.8%	0.4%	(0.5)%
Net Interest Margin	2.5%	1.7%	(0.01)%
Net Bank Operating Margin	1.6%	0.8%	(0.5)%
Asset Utilization Ratio	3.9%	3.5%	0.07%
Net Profit Margin	19.9%	12.5%	(831)%
Earning per Share	TK3.45	TK0.84	TK(0.76)

## INTERPRETATION OF RATIO ANALYSIS

A three years ratio analysis has been carried out in order to identify the trend of FSBL during their period 1999-2001. As the annual report of the year 2002 has not been prepared yet by the Bank analysts, I can not interpret and analyze the ratios of that year. The analysis of current ratio indicates that it is declining trend starting from 1.022. This is a negative symptom for the bank, which reveals that a bank has less current asset in hand to pay off its current liabilities. In 2001, current ratio was 0.242 which was far below the standard normal of 2:2. Therefore, this is an alarming trend for the bank.

The profitability ratio analysis shows the ROE and the ROA of the bank. The ROE shows that it is an increasing trend from a -4.0% to 16.3% in 2001. This indicates that the stockholders are having a higher rate of return for investing their capital or placing their funds at risk. The ROA also shows an increasing trend in the last three years starting from a -0.5% to 0.8%. This indicates a higher managerial efficiency and capability in converting the institution assets into net earnings.

The Net Interest Margin also shows an increasing trend starting from -0.01% in 1999 to 2.5% in 2001. This is a tremendous growth in the spread between interest revenues and interest costs of the bank. The Net Bank Operating Margin also shows an upward trend starting from -0.5% to 1.6% in 2001. This also shows managerial efficiency in achieving higher operating revenues and controlling operating costs for the bank.

The Earnings per Share shows an upward trend starting from TK-0.76/ share to TK3.45/ share in 2001. This indicates that the stockholders are having higher earning per share that they hold in the bank.



Net profit Margin for the bank shows a rapid growth for the last three years from a -83% in 1999 to 19.9% in 2001. This indicates the efficiency of the management in the effectiveness of expense management and service pricing policies. The Asset Utilization Ratio of the bank is also in an upward trend from 0.07% to 3.9% in 2001. The increase in the degree of asset utilization reflects better portfolio management policies (especially the mix and yield on the bank's assets).

## SWOT ANALYSIS

The Company's Strengths, Weaknesses, Opportunities and Threats analysis is an important tool for evaluating the company's performance and scan the macro environment, which in turn would help the organization to navigate in the turbulent ocean of competition.

### **STRENGTHS:**

#### **1. Goodwill:**

FSBL has already established a favorable reputation in the banking industry of the country particularly among the new comers. With in period of five years, FSBL has already established a firm footing in the banking sector having tremendous growth in the profits and deposits. All these have lead them a reputation in the banking field.

#### **2. Experienced Executives:**

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

#### **3. Sponsors:**

FSBL has been founded by a group of eminent entrepreneurs of the country having adequate financial strength. The sponsor directors belong to large industrial conglomerates of the country. The Board of Directors headed by its Chairman Ms. Nasim Shikder has come from one of the most renowned business families of our country and has years of experience and has earned the reputation of being a successful businessman. Other directors include Mr. A.K.M. Enamul Haque, Mr. Abu Hena Mostafa kamal, Mr. Md. Didarul Alam and others who are the eminent business people in our country. FSBL has a strong financial strength and is built upon a strong foundation.

#### **4. Market share and profitability:**

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



## **5. Interactive Corporate Culture:**

FSBL has an interactive corporate culture. Unlike other local organization, FSBL's work environment is very friendly, interactive and informal. There are no hidden barriers or boundaries while interacting among the superior or the subordinate. The environment is also lively and since the nature of the banking job itself is monotonous and routine, FSBL's lively work environment boosts up the spirit and motivation of the employees.

## **WEAKNESSES**

### **1. Advertising and Promotion**

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

### **2. Informal Recruitment:**

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

### **3. Less attractive package:**

The remuneration package for the entry and the- mid level management is considerably low. The compensation package for FSBL entry-level positions is even lower than the contemporary banks. Under the existing low pay structure, it will be very difficult to attract and retain BBA's/MBA's at FSBL. Since foreign banks pay double that of FSBL, it well be very difficult to attract competent BBA's/MBA's in future of FSBL. Therefore FSBL will fall to attract competent NOA's and retain them if they do not revise their pay structure.

### **4. Centralized Decision-Making:**

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



## **5. Few staff meetings:**

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

## **6. Limitations of the PC Bank**

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

## **OPPORTUNITIES**

### **1. Diversification:**

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

### **2. ATM:**

This is the fastest growing modern banking concept. FSBL should grab this opportunity and take preparations for launching ATM. Since FSBL is a local bank, they can form an alliance with other contemporary banks in launching the ATM. Standard Chartered has already successfully launched the ATM.

### **3. Credit Cards and Tele-banking:**

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

### **4. On-line banking:**

FSBL should move towards the on line banking operations. It is high time that they should go for this because the foreign banks as well as some local banks are already in to the on line banking operations.

### **5. Introduction of FSBL's own savings scheme:**

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

## **THREATS**

### **1. Multinational Banks**

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

### **2. Upcoming Banks**

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

### **3. Contemporary Banks**

The contemporary banks of FSBL such as One Bank, Bank Asia are its major rivals. One Bank and others are carrying out aggressive campaing to attract lucrative corporate clients as well as big time depositors. FSBL should remain vigilant about the steps taken by these banks as these will in turn affect FSBL strategies.

### **4. Default culture:**

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



## **PART-FIVE: PROBLEMS & RECOMMENDARIONS**

### **PROBLEMS**

1. Poor recruitment process
2. poor remuneration package
3. Lack of promotional activities
4. Lack of employee training facility
5. Lack of advanced banking software
6. Centralized authority
7. Lack of employee co-ordination
8. Lack of library facility

### **Recommendations**

#### **1.Introduction of advanced banking software**

As there are severe limitations in the present PC bank software that is quite inadequate in providing speedy services both to the customer and internal uses of the bank. Therefore, the concerned authorities should consider replacing the PC bank system with more advanced banking software like the ones, which are being used in the foreing banks. It is also cost effective for the management to introduce a new banking software as it has all the modem banking facilities and will actually prove effective in the long run for the bank when it considers establishing ATM and other automated banking facilities.

#### **2.Formal recruitment**

Strong and an effective recruitment system should be exercised so that the right people are recruited at the right job. As already mentioned earlier, other than the PO's there are major flaws in the recruitment of the staffs from others banks during the embryonic stage. But now as the bank is expanding, it must focus on attracting, getting and retaining qualified personnel for filling up its positions. It is worth spending more on attracting qualified human resources rather than getting the wrong people in the wrong positions.

#### **3.Offering Attractive Remuneration Package:**

FSBL is offering very unimpressive and not capable to attract quality personnel to fill up its positions. Many skilled and devoted officers of the bank are depressed with their compensation package. Currently, the management is trying to attract more MBA's in future. Bit the bank must redesign its compensation package to attract quality human resources particularly qualified MBA's for the bank. Since the foreign banks pay double that of FSBL and other private banks also have a higher scale than FSBL, it is high time that the management should consider revising the remuneration package in order to attract quality human resources.



#### **4.Delegation of authority**

As a part of introducing participate management system in the organization, there should be a gradual delegation of authority in order to develop future leaders with in the organization. Authority should be delegated gradually to a certain extent at the branch level for speedy disposal of financial matters and providing faster services. Moreover, in a decentralized organization there will be both top down and bottom up communication and therefore the communication channel with in the company becomes stronger. The top management also comes to know better ideas from the lower level and many ideas from there can be implement for the development of the bank.

#### **5.Employee orientation or more Staff Meetings**

All the departments in the head office as well as in the branches should have more staff meetings and inter departmental meetings. This would allow each department to monitor its on going progress and identify the hindrances or the hurdles while achieving there targets or carrying out the activities. Through staff meetings at all start of the management would make a concerted effort of all the employees to achieve there goals and which in turn swould allow the organization to achieve the targets.

Departmental staff meetings can be held weekly or for nightly and this would allow in charge of each department to identify the problem areas and corrective actions can be taken immediately or can be informed to the higher authorities. The process of pro-active strategies can be implemented through regular staff meetings instead of pursuing a reactive strategy where each department waits for the feedback from their higher authorities.

#### **6.Advertisement & Promotion:**

An aggressive marketing campaign such as advertisement in the newspapers and magazines, more billboards and neon signs, publicity messages and promotional campaigns are required. FSBL should pursue an aggressive advertising campaign in order to build up a strong image and reputation among the potential customers. It must give up the idea of maintaining a low profile in the market.

FSBL can also pursue promotional campaigns with its customers particularly the corporate clients in order to build up a stronger rapport with them. Television advertisement is also a major method for attracting the potential customers. At it is a new bank, a strategy of exposing the bank to the public must be taken so that the general people are aware about the emergence and the growth of the bank.

### **7.Improvement of service quality:**

This is one of the major setbacks for FSBL as it has failed to provide better services to its customers compared to the contemporary banks and as well as the foreign banks. The service is worst in the General banking division where the retail customers are not getting the service. The management take steps to improve this situation. Adequate people with the proper training and skill should be place at this wing of the bank. More automation should be done in the case counters such as providing individual monitors to the tellers so that they can check the balance in an account instantly rather than sending the checks backward.

Moreover, the bank should install scanning machines in the cash counters. It will save a lot of time in the counters because signatures can be verified instantly through the scanners instead of searching the ID card manually. Enhancement of cash withdrawal limit from the counters is necessary. Though recently, the cash withdrawal limit has been extended up to one lac taka but still is not sufficient in the Principal branch, as it is the busiest branch of the bank.

The account opening booths must be placed with qualified and impressive personnel as they expose the first image to the bank to a new customer. The bank statement must be sent timely to the customer. Instead of keeping the statements in the office for a week, the statement should be generated immediately after the end of a month and send by mail to the respective customer. Currently this is done a bit late and many customers don't get their statements on time.

### **8. Storage facilities.**

The present storage facilities in the Diskusha Branch are extremely inadequate and the situation is quite similar in the head office. The management must consider improving the storage facilities of the bank by hiring or renting new space for warehousing or storing papers or expanding the present office space of the head and the Dilkusha Branch. This may be a temporary solution but in the next few years if the present volume of business continues the Principal Branch and the Head Office has to be shifted from its present locations.

### **9. Establishing employee training facility.**

FSBL does not have any training institute of its own. As training is a never ending process and it is important for increasing the capability of the employees, the authority takes help of the senior executives to train employees which is quite insufficient. Establishment of own training facility will increase the potentiality of the employees.



## **CONCLUSION**

Modern banking is an upshot of evolution driven by changing economic activities and life styles. Entering as a new in Private banking scenario of Bangladesh, FSBL is constantly try to cross the obstacles regarding typical business oriented ideas and come up with innovative curtailed to its customers needs to harvest maximum benefit for them. This success has resulted from the dedication, commitment and dynamic leadership of its management over the periods. To become market leader in providing banking services, introduction of sophisticated banking instrument i.e. online services, ATM services in a demand of time.



## **PART- FOUR**

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