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**PROBLEM AND PROSPECT OF CREDIT CARD
IN BANGLADESH: A CASE STUDY ON SCGB**



***Problem and Prospect of Credit Card in
Bangladesh: A Case Study on SCGB***

Prepared For:

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Report - 52

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Mr. Tanbir Ahmed Chowdhury
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Dear Sir,

This is the Internship Project titled "Problem and Prospect of Credit Card in Bangladesh: A case study on SCGB". My internship project represent the credit card business major share holder Standard Chartered Grindlays Bank.

The objective of the project was to find out the problem and prospect of credit card business of Standard Chartered Grindlays Bank. And also to recommend the solution on the shortcoming of the Bank's Credit card business.

The Banking industry is a dynamic and competitive place. Through my internship program I have learn a lot about Banking of Standard Chartered Grindlays in Bangladesh. I have so far implemented the acquired knowledge to prepare my internship project. I hope it would meet your requirement.

Sincerely Yours,

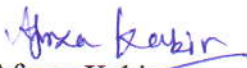

Afroza Kabir
1998-10-055

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Chapter-1

1. Introduction:

1.1 Origin of the report:

This report “Problem & Prospect of Credit Card in Bangladesh: A Case Study on SCB” is a collaborated outcome of the three months long internship program in standard Chartered Grindlays Bank, 2 Dilkusha Commercial area, Dhaka in the multinational segment under the credit card division. The preparation of this report is the partial requirement of the internship program for Bachelor of Business Administration (BBA) students of East West University.

1.2 Purpose of this report:

The purpose of this report is to express the knowledge & experience accumulated from the internship program. According to the set guidelines of East West University. The purpose of the report part is to study & analyze the organization with special emphasis on banking industry, background of the bank, its image, functional and working environment etc.

On the other hand, the project part of the study represent the real life problems and to arrive at feasible and practical solutions with the help of different analytical tools. Here

the student analyze the problem and solve it by using different tools. It gives the student the opportunity to be creative and to handle real life problems practically.

1.4 Problem Statement

Customer satisfaction and prospect of credit card of Standard Chartered Bank is unknown.

1.5 Objective

Broad Objective: To find out the problem and prospect of credit of Standard Chartered Graindlays Bank in Bangladesh.

Specific objectives:

1. To present a over view of SCB
2. Present an overview of Banking Industry.
3. To apprise the performance of credit card of SCG .
4. To find out the problems of credit card in Bangladesh.
5. The prospect of credit card in Bangladesh.
6. To recommend remedial majors for the development of credit card performance of Standard Chartered Bank.

1.7 Sources of Data

The study required various types of information regarding policies, rules and regulations, interest rate etc. Mostly secondary data has been used in preparing this report and also some good numbers of primer data were also used. Primer source of data are:

- Feeling up the questioner by the customers of the credit card.
- Discussion with officials of Standard Chartered Grindlays Bank.

1.7.1 Secondary Sources of data:

- Brochures
- News letters
- Manuals
- Journals
- Relevant books, magazine and newspapers.
- Annual reports.
- Office Circulars.

1.1.2 Primary Sources of Data

1.Face to face interview:

The face to face interview was followed, as it is cost effective and easy. In this case the researcher asked the customers about their view and attitude toward the credit card.

Through this research method the customers view and personal opinion was easily understandable.

2. Discussion with the employee of card service division:

The experience work force of Standard Chartered Grindlays is the provide a large resource of information about the acquisition of business, existing problems and future innovations.

3. Observations:

Observation of the card divisions operation gives an idea of its strategy of the business.

Also it gives an overall idea about the customer relationship of the Bank.

4. Attending the phone calls of the customers:

By attending the phone calls of the customers the researcher can have an overall idea about the problems of the cardholders and also the expectation of the customers.

5. Questioners:

1.8 Limitations of the study:

To prepare this report I have some limitations:

- First of all I have faced the limitation of time constrain. Due to time limitation I have to conduct survey on the small sample sized.
- I could not give enough time to prepare report because of long working hour in the Standard Chartered Grindlays Bank.
- As many internal information are confidential I may have limitation of information in the preparation of the project.
- Comparison was not possible due to time.

Chapter-2

2. Banking Industry in Bangladesh

The banking industry in Bangladesh is more than 600 years old. The country's central bank, Bangladesh Bank controls and monitors the Banking industry. At present, there are 42 commercial banks (local and foreign), five development financial institutes, and seventeen finance and leasing companies in Bangladesh.

Currently the major financial institutions under banking system include

- Bangladesh Bank
- Commercial Bank
- Islamic Bank
- Leasing Companies
- 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 customers. These include 24 hour banking, home banking and general banking, credit cards etc. For customer's convenience, such products are available through the bank branches in Bangladesh.

However, the banking industry in Bangladesh is characterized by the tight banking rule and regulations set by Bangladesh Bank. All banks and financial institutions are governed and controlled under the Banking companies Act 1993, which lays out many restrictions,

2.1 Government Banks

Government banks in Bangladesh do not have a very successful history to be stated. These banks have been regulated by the government guidelines along with political influence over the decades. Although having attracted more than 70% of deposit of people around the country, these banks could not see the face of profit due to a large amount of bad debts, which are yet to be settled.

Government banks also employ more than 80% of total banking sector employees of the country. Having employed such a large number of staff, these banks often fail to keep the desired efficiency level in various levels. In turn this affects the service offered in these banks. Besides corruption has made its way into every corner of these banks.

The major strength of government banks is security they offer to their customers. Other important features of these banks that attract both ordinary customers and corporate ones are:

1. High interest rate offered to savings account and fixed deposits
2. Low interest rate charged to loans
3. Easy installments for various loan products
4. They have large number of branches to reach every niche of the country

Government banks will continue serving customers of the country always. But in order to gain customer confidence, they must upgrade their service through their branches and make investments in technology.

2.3 Private Banks

Some old private banks have everything common with government banks in a sense that they lack in providing competitive service to their customers both in terms of human resources and technology. They also have a large number of branch networks all over Bangladesh with large number of employees. These banks have also become the prey of political influence and corruption, which prevent them to go generate profit.

Since the year 1997 some private national banks have come up with brighter ideas and entered into the industry. With a limited number of branches thought the country these banks have displayed tremendous success both in terms of revenue and competition in the market. The Banks are:

1. Prime Bank Limited
2. Dhaka Bank Limited
3. Eastern Bank Limited
4. South East Bank Limited
5. National Commercial Bank Limited

Some more banks have entered the market in last two years. Banks like, Mercantile Bank, Bank Asia Limited, The Trust Bank Limited, One Bank Limited, Premium Bank Limited have a long-term view of the industry and are getting ready to make large investments on technological advancements to keep competitiveness. Even after that they have a long

way to go to get enough strong and keep up the competition in the Banking industry of Bangladesh. The range of banking products and financial services is very limited in scope. Beside all private banks are imposed with 5 percent cash reserve requirements. 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, the banking products that can be offered in Bangladesh are fairly homogeneous in nature due to the tight regulations imposed by Bangladesh Bank. Competing through differentiating the rang of products offered is often difficult and not effective. So the key to establish a competitive edge in Banking industry in Bangladesh is to provide better customer service quality.

2.4 Foreign Banks

There are 14 foreign banks (American Express, Hong Kong Shanghai, National Bank of Pakistan, State Bank of India, Society General, Credit Agricole Indosuez, Hanbit Bank, Habib Bank, Faisal Islamic of Bahrain, Muslim commercial Bank of Pakistan, Bank of Tokyo, Citi Bank, Standard Chartered Bank). Among the foreign Banks Standard Chartered is than largest foreign Bank after acquiring the ANZ Grindlays. At Present Standard Chartered have the largest network of branches among the foreign Banks. It also has the very vast operation in Bangladesh.

2.4. Background of Standard Chartered Bank

Standard Chartered is the world's leading emerging markets bank employing 32000 people in 615 offices across 56 countries primarily in Asia, the subcontinent, the middle East, Africa and Latin America. As a focused and disciplined bank, Standard Chartered Bank concentrated on core businesses of consumer and wholesale Banking. Standard Chartered Bank's roots lie in the emerging markets, where SCB have a strong and established presence. This gives SCB a unique knowledge, insight and understanding of these markets, which have unmatched growth potential's remain committed to excellence in customer service, to delivering consistently superior performance and to building shareholders value. SCB recognize its responsibility to the countries and communicates in which it operate. SCB's values are based on trust, teamwork, commitment and pride of its organization.

The Standard Chartered Group is an unusual banking business. Although its roots are clearly British, its area of operations, its network and indeed its profit stream are overwhelmingly international. The name Standard Chartered comes from the two original banks from which it was funded. The Chartered Bank was founded by James Wilson following the grant of a Royal Charter by Queen Victoria in 1853, While The Standard Bank was founded in the cape province of South Africa in 1862 by John Paterson. Both companies were keen to capitalize on the huge expansion of trade and to earn the handsome profits to be made from financing the movement of goods from Europe to the

East and to Africa. In those early years, both banks prospered. Chartered opened its first branches in Bombay, Calcutta and Shanghai in 1858, followed by Hong Kong and Singapore in 1859. With the opening of the Suez Canal in 1869 and the extension of the telegraph to China in 1871, Chartered was well placed to expand and develop its business. Traditional business was in cotton from Bombay, indigo and tea from Calcutta, rice in Burma, sugar from Java, tobacco from Sumatra, hemp in Manila and silk from Yokohama. In South Africa, Standard, having established a considerable number of branches, was prominent in financing the development of the diamond fields of Kimberley from 1867 and later extended its network further north to the new town of Johannesburg when gold was discovered there in 1885. Half the output of the second largest gold field in the world pass through The Standard Bank on its way to London. Both Bank at that time were separated companies survived during the first world war and the depression, but were directly affected by the wider conflict of the second world war in terms of loss of business and closure of branches. There were also longer term effects for both Banks as countries in Asia and Africa gained their independence in the 50s and 60s. Each acquired other small Banks along the way and spread their networks further. In 1969, the decision was made by Chartered and Standard to undergo friendly merger. They decide to counterbalance their network with expansion in Europe and United States. Further expansion also took place in Standard Chartered's traditional market in Asia and Africa. All appeared to be going well, when a hostile takeover bid was made for the Group by Lloyds Bank of United Kingdom in 1986. When the bid was defeated, Standard Chartered entered a period of change. Like many British Banks, provisions had to be made against third world debt exposure and against loans to corporations and

entrepreneurs who could not meet their commitments. Standard Chartered began a series of divestments notably in United States and South Africa, and also entered into a number of asset sales. In mid 1993, Sir Patrick Gillam became Chairman. He made it clear that Standard Chartered would grow and develop its strong franchises in Asia, the Middle East and Africa using its operation in the United Kingdom and North America to provide customers with a bridge between these markets. Secondly it would focus on customer, corporate and institutional banking, and on the provision of treasury services areas in which the Group had particular strength and expertise. In August 2000, the US \$ 1.34 billion acquisition of Grindlays Bank was completed. This made Standard Chartered the leading international Bank in India and the other countries of South Asia, strengthened the Group's competitive position in the Middle East and brought to the group a respected private Banking business. In September 2000 the group agreed to acquire Chase's Hong Kong customer banking business for US \$ 1.32 billion, which makes Standard Chartered the leader in Hong Kong cards. At that time it was also announced that Chartered trust has been also sold to Lloyds.

2.5 Achievements of Standard Chartered

Standard Chartered has been voted no.3 Overall Best cash Management Bank in Asia in the 10th Asia annual Asia-money poll.

This was up two places from last year, moving ahead of Deutsche Bank and Bank of America. The poll of 2000 companies across the Asia-Pacific region also rated the Bank second in Thailand, tied second with HSBC in Malaysia, third in Hong Kong, fourth in the Philippines and Singapore and fifth in Indonesia for cash management.

As far as criteria for the selecting the top bank, those polled rated the 10 most important factors as follows:

- Extensive global/ regional branch network
- Competitive pricing
- Good understanding of clients' needs
- Advanced and modern technology
- Reliability
- Close banking relationship with clients
- Customized service
- Good credit rating
- High quality of experienced staff
- Good back office linkage

Standard chartered was ranked No. 1 in five out of 26 worldwide categories in this year's Forex poll in FX and MM magazine.

This result were:

- No 1 HK\$
- No 1 Middle East
- No1 NZD
- No 1 Overall best Bank

Standard Char red's cash management operation in the Gulf has been awarded ISO 9002 certificate by the international certifying body. In 1999, cash management operation in

the Southern Gulf processed almost a quarter of a million transactions with a total value of US \$ 14 billion. Dubai was its strategic position and excellent seaport and airport cargo facilities, is processing an increasing number of fund transfers. To handle the introduced the online payment link.

Standard Chartered Bank Sri Lanka's operation division, which includes Treasury, corporate credit and central operations, has been awarded the ISO certification.

The first chairman's Award for 200 has been won by Pakistan Centralization Project team. This project was an excellent example of Standard Chartered's "One Bank" spirit.

2.6 Standard Chartered Bank in Bangladesh

Standard Chartered Bank started its business in Bangladesh in 1948, opening its first branch in the port city of chittagong. The Bank increasingly invests in people, technology and promises as its business grew in relation to the country's thriving economy. At present the Bank has seven branches in Dhaka, three in chittagong, one in Bogura, one in naraynjong and one in Shylet. Extensive knowledge of the market and essential expertise in a wide range of financial services underline Standard Chartered's strength to build business opportunities for corporate and institutional clients at home and abroad.

Continuous upgrading of the technology and control system has enabled the bank to offer new service, which include ATM's and phone banking. Standard Chartered's service in

Bangladesh ranges from personal & corporate Banking to institutional Banking, Treasury and custodial service.

Standard Chartered, established since 1948, is highly reputable in providing fixable and innovation financial services solutions. Standard Chartered Bank's expertise is in corporate and institutional banking including cash management, trade finance and custodial services, consumer banking and treasury operation. Standard Chartered Bank adopts a proactive approach in tailoring customized packages to meet its customers ever changing needs. Standard Chartered Bank applies state-of-the-art technology to automate its daily operations and electronic delivery system has been put in place to ensure that transactions are handled swiftly and efficiently. SCB's dedicated customer service center is staffed with experienced cash products specialists to ensure that all its customers are well served. The currency of the country is the Bangladeshi Taka. Foreign exchange has been significantly liberalized and the Taka is partially convertible. Standard Chartered fully understand the importance of time, convenience and efficiency to the success of your business. SCB make easy the complex financial world for you maximize every opportunity. With over 140 years of experience in trade finance and an extensive international branch network, Standard Chartered is committed to help you succeed in every competitive environment. To keep pace with your changing needs, SCB will constantly review its comprehensive cash, trade and treasury products and services, ensuring that a full of flexible and innovative service is always available for you wherever you trade.

Standard Chartered offers premium retail banking services in individual customers with large verity of deposit and loan products. SCB's consumer Banking business continues meet the challenges of developing new products and services to match the specific requirements of customers. In Bangladesh Standard Chartered offers 24-hour service through money link. Its credit card section also has a 24-hour customer service.

Standard Chartered Bank Bangladesh offers priority Banking, a special service package For its valued customers. Under this segment an exclusive combination of services are offered to customers who signed for it. Some of the benefits offered under the program are: A priority card that recognizes your priority status at all our local branches and also at our global priority centers higher withdrawal limit per day from all our ATMs in Dhaka, Citation & Shylet privileges associated with the priority card in reputed hotels, restaurants and reserved parking space dedicated customer legation personal at the priority centers and also commission free SCB visa travelers cheques against travel quota, swifter transactions, pre- arranged banking service and invitation to the special social and cultural events . All you need to do is to meet the priority criteria (Set in terms of deposit value), and sign up the relevant forms and you will immediately be eligible for all the benefits.

2.7 Historical Background of ANZ Grindlays Bank

Capt Robert Melville Grindlay, a retired British army officer founded Grindlays in the 1828, and a gentleman named Leslie. Grindlay has served with the East India Company in Bombay where his talents as an artist earned a reputation in Anglo Indian society. Grindaly entered in the Banking business during 1830s. The earliest surviving Grindlays cheques are dated 1838 by which time the description “ Bankers and Agents” are being used. Two partners joined the firm in 1839 and the firm was renamed Grindlay, Christian and Matthew. After Capt Graindlay’s retirement in 1842, the name was shorted to Grindlay & Co, the name it retained for more than a century. Graindlays’ first branch in India was opened in Calcutta in 1854 by C J Groo, a long-time member of the London staff, and the business the business develop as Grindlay, Groom and co, until 19.8 when London firm bought Groom out.

In 1924 Grindaly & Co. was acquired by the National Provincial Bank but continued to operate as a subsidiary of that Bank. Additional offices in London, India, Burma and Ceylon were added in 1942 when Grindlay & Co. took over the deposit and current account business of Thos Cook & Son (Bankers) Ltd. The name Grindlay & Co. until 1908 when the London firm brought Groom out.

In 1924, Grindlays & Co. was acquired by the national provincial Bank but continued to operate as a subsidiary of that Bank. Additional offices in London, India, Burma and

Ceylon were added in 1942 when Grindlay & Co, took over the deposit and current account business of Thos Cook & Son (Bankers) Ltd. The name Grindlay & Co was changed to Grindlays Bank Ltd. in 1947.

The business was transferred in 1958 to National Bank of India, which was a historical institution, National and Grindlays took over Lloyds Bank's eastern branches, most of which has been established by the venerable Cox & Co., Traditional Bankers to the British army. They gained a major presence in the Middle East- Cyprus, Jordan, Oman and Gulf States, as well as Kenya, Rhodesia, France and Switzerland. Five Hong Kong branches were added in 1970 when a 51 percent interest in Dao Hong Kong was purchased. This was sold to the Hong Leong Group in 1982.

There were two significant acquisitions in the 1960s and 1970s...merchant banker William Brandt's Sons and Co Ltd. In 1965 that was later increased to full ownership, and the purchase of the Glasgow-based British Bank of commerce Ltd. The name was simplified back to Grindlay's Bank Ltd. in 1975.

In the mid-1970s the Bank's future was uncertain as two large shareholders was resolved when ANZ Bank purchased Grindlays in 1984, making ANZ Australia's first truly international Bank. The name changed to ANZ Grindlays Bank in 1989. Under ANZ the business has been a strong player, especially in MESA markets with its well*established branches network placing the Bank among the top foreign Bank in several countries.

2.8 Grindlays in Bangladesh

ANZ Grindlays Bank was a wholly owned member of the ANZ Group and, as such, was one of the largest foreign Banks in Bangladesh. Grindlays has presently 14 outlets in 5 cities with a formidable retail reach of over 60000 customers. Aiming to provide a variety of retail, commercial and corporate Banking services to the customers, Grindlays has established trusted relationships with top state owned enterprises, Grindlays has established trusted relationships with top state owned enterprises, corporate houses, multinational corporate, other Banks and financial institutions in Bangladesh.

Grindlays Bank in Bangladesh particles only two-

- Personal Banking &
- Business Banking.

The personal banking primarily entails retail operations and interacts with individual clients. Introduction of new loan packages, products and services, is an integral part of the growth of the business. Some of the products could be quite culture specific and not necessarily a “ Global Products” i.e. products areas that will be managed globally. One of the only products to be categorized global product in personal Banking is a credit card and Grindlays was the first foreign Bank in Bangladesh to introduce the service to its value customers.

Entering into the force in the 1970s, corporate Banking was conceived specifically to accommodate the need of business and corporate entities in Bangladesh and is composed of specialist segments, each catering to the particular needs of various categories of customers, from small business to large local and international firms.

To compliment the corporate Banking service, for the first time in the country, a special unit was introduced in January 1998. This was termed as the corporate Finance unit and is primarily contributing to off balance sheet revenue generation.

2.9 Banking Services of Grindlays in Bangladesh

Although after the acquisition, the organogram of Standard Chartered Grindalays Bank is yet to be known, initially the two Banks will be operating separately for about two years. Griandlays Bank Ltd. is headed by the General Manager, who used to report to the GM of south Asia, in India.

Previously Grindlays Bank had only divisions under the one umbrella of the General Manager's office (GMO). As the operations of the Bank expanded organizational stricture become more decentralize. At present, it has got nine divisions under the one umbrella of GMO, where the credit department headed by the Head of credit assumes of the staff position. The credit department in Bangladesh is vertically accountable to the

General Manager, Credit, and south Asia. Currently Grindalays has 3 major divisions under the umbrella of General Manager's office, which are as follows:

- Business Banking Division
- Retail Banking Division
- Cards Division

Different Heads whose functions are mentioned below assists the GM:

Head of Finance and Administration: Handles the general ledger, budget, financial scenario of the Bank, risk management administration and audit operation.

Head of cards: Supervise credit card operation

Head of Retail Banking: Supervises retail-Banking operations like sales and services, retail leading, product development and product marketing.

Head of corporate: Deals with the relationship management division of corporate, retail & credit cards in their lending operation.

Head of Treasury: Deals with the foreign exchange, money market and asset liability operation.

Head of International services: Deals with tread fiancé

Head of operations:

Looks after the support service in banking, lending, CBS user, treasury, SWIFT/TELEX operation etc.

Head of Technology: Accountable to the head of operations.

Corporate Banking: A profesional account management team caters the need of corporate clientele and provides a comprehensive range of financial services to the two sub-divisions: Local corporate and Multinational corporate Banking services in Bangladesh. The Bank offers following services to the corporate customers:

- Skilled and responsive attention to verify leading needs.
- Project finance and investment constancy.
- Syndicated Loans.
- Corporate deposit accounts
- Bonds and guarantees
- Local and international treasury products.

Retail Banking: Retail Banking services of Grindlays comprise the following services:

- Personal Banking.
- Private Banking.
- Consumer financing.
- Investment financing

Wager earner's services.

Locker facilities

Depository services

Teller Banking

Moreover it provides international services to nearly two-third of the employees working in this division.

Credit Card Division: ANZ Grindlays Banks provides issuance and acquisition services for debit cards and credit cards. Grindlays has issued the first Taka credit card in Bangladesh, offering the Mastered card Gold, Mastered Card Silver and Visa Silver cards, which is valid for use only in Bangladesh.

Cash Management -The new initiative

Grindlays launched its new cash management package in May 99 to provide corporate clients with the most modern products and services. In the new package, clients can avail services such as automated cheques, any branch Banking, automated fund transfer, standing orders, treasury updates, query managements, complete electronic Banking, own

courier service and mobile banking where the bank goes on-locating for the customer to receive and disburse cash.

Deposits: This service category includes different types of accounts such as current savings; convertible and foreign currency account are offered. Other services include:

- Cheque encashment
- Cash Deposit
- Cheque certificate Fixed Deposit Receipt
- Beared certificate of Deposit
- Pass Book
- Check Book Issue
- Statement of Account
- Issuance of certificate of balance
- 24 hr- ATM service
- Fund Transfer
- Payment Orders
- Demand Draft
- Telegraphic Transfers
- Mail Transfers
- Sales of Travelers Cheques
- Standing Endorsements Export
- Check Punches Check
- Collection Bill
- Negotiable Bill
- Collection Letter of Credit advising & confirming
- Encashment of T/Cs
- Letter of Credit Opening
- Presentation / Retirement of Import Documentations
- Guarantees
- Bid Bonds
- Performance Bids
- Sales of Sanchaypatras
- Encashment of Sanchaypatras
- Locker services from selected branches.

Different Types of Loan Facilities

Seasonal Loan: A seasonal loan is generally defined as a short-term, self liquidating loan. That means, the funds advanced on a short-term basis are repaid in full when the assets purchased by the funds are converted to cash.

Term Loan: A term loan is generally defined as a loan whose repayment term exceeds the operating cycle of the business. The borrower usually repays the loan in periodic payments from the cash profits of the business whereas a seasonal loan is repaid in full at the end of seasonal asset conversion cycle. Term loan can also be used to finance change in ownership when the division of a company is sold to new owners in a leverage buyout or acquires one company.

Permanent Working Capital loan: Permanent working capital financing frequently referred to, as asset based lending, is substitute of owner's equity. Like the owner, the lender or debt investor looks to a required rate of return on permanent invested funds. This type of financing arises in most instances for the financial leaders.

Bridging Loan: A bridging loan provides the borrower with financing until a very specific event occurs to repay the loan at a clear anticipated point in time. In other words, this type of loan "bridges" the financial gap until that point arrives and the event occurs that generates the cash to pay off the loan.

There are generally three events that can occur to pay off a bridging loan:

- The borrower arranges a replacement of loan facility
- The borrower arrange to sell a non-operating asset, using the cash proceeds
- The borrower arranges to raised additional equity, using the equity proceeds

2.10 Achivement of Grindlays

Grilandlays Bank has won a series of prestigious awards across all its divisions. Under the ANZ, Grindlays has collected the following honors:

- Best Bank – Awarded by Global Finance Magazine
- Best Foreign Bank in India – Awarded by Business Asia.
- Home Loan Bank of the year – Awarded by personal Investor Magazine
- First (equal) for Australian Dollar Currency Operation World-wide – Awarded by Risk Magazine
- Foreign Exchange Bank of the year – awarded by INSTO Magazine
- Derivatives/Risk Management Bank of the year – Awarded by INSTO Magazine
- Equal opportunity Award – Awarded by Affirmative Agency
- Rated Number one project Finance Advisor – South Asia
- Number one arranger of export credit business supported by Australia’s Export Finance and Insurance Corporation, having arranged and underwritten double the business of the nearest rival
- Customer service award
- Funds Management Award

2.11 Acquisition of ANZ by the Standard Chartered Bank

2.11. 1 Background of the Acquisition

“This acquisition is about growth-to give the customers a better deal, to win more customers and to get a better share of their wallets.”

shareholders in the first full year after the transaction and after the amortizing of US \$ 750 million of goodwill.

Standard Chartered and Grindlays will initially remain separate legal entities. However a common management structure will supervise management, competition policies and pricing issues between both banks to ensure that the synergies between them are exploited to the full and to iron out any wrinkles.

Previously ANZ GRINDLAYS BANK has been named STANDARED CHARTERED GRINDLAYS BANK. The name Grindlays bank has been retained as group chief Executive Mr. Rana Talwar explains:

“We appreciate the value of brand recognition and goodwill embedded in the Grindlays name.”

Geographically, India is Grindlays biggest market, accounting for 43 per cent of its business. The other major markets are Pakistan, Bangladesh, Sri Lanka and the UAE. Like Standard Chartered, Grindlays' corporate Banking is focused on providing trade finance and cash management to around 4000 major local and multi-national companies. Grindlays' customer Banking activities focus on deposit taking and lending. In recent years they have developed a strong credit card business, the third largest issue in the region.

Grindlay's private banking is an excellent fit with that of Standard Chartered's priority Banking business. It has 14000 clients with a strong Middle East and South Asian bias that will lift the total priority Banking client base to around 100,000. A significant proportion of Grindlays' revenue derives from wealth management products, which Standard Chartered has identified as an area of strong potential growth. Standard Chartered's priority Banking is well reputed on the ground in MESA bringing added benefits to Gringlay's clients.

Standard Chartered has purchased Grindlays from ANZ. On that ground, this is not Standard Chartered taking over Grindlays. They are treating this strictly as a combination of equal with both banks having complementary strategy to contribute. The acquisition includes a very successful private banking business to add to the group priority banking business in the UK and Europe. The acquisition of Grindlay's private banking business is highly complementary to Standard Chartered's priority Banking activities in Jersey and London. The combination of the business will give them a great breadth of product capabilities, greater geographical diversity of customer and reintroduce Standard Chartered to private Banking. The combined business will have significantly greater scale and provide many opportunities for cross-sell and business growth. It will also provide more interesting, complex and challenging roles for the combine team.

In addition to private Banking, Grindlays also presents new opportunities for the Groups rapidly expanding commodities and Structured Finance division. Both SCB and ANZ

have targeted the MESA region in Structured finance, but with highly complementary strategies. Standard Chartered's strength lie in the structured Trade Finance and Structured Export Finance Business, whereas ANZ's structured finance activities in the region are driven by project finance and by corporate advisory services such as Managers and Acquisitions, equity private placements and privatization advisory.

2.11.2 The Acquisition Process

Integration Approach:

The Integration Steering Group (ISG) chaired by Rana Talwar and comprising Standard Chartered Bank directors Christopher Castleman, Nigel Kenny, together with Tim Miller, Group head of Human Resources Peter Sulivian has agreed the principle of integration. It will leverage the combined strengths of the two organizations. It will be rapid, comprehensive, data driven, equable and transparent. Integration managers will be appointed from the MESA, India and private banking that coordinate the work of country task force staffed by managers drawn from both Grindlays and Standard Chartered.

Locally Driven Integration:

Integration and “Business as Usual” cannot be divorced. The creation of local task forces places responsibility for planning and managing integration as close as possible to those managers who will be responsible for managing the future business.

Fairness in Appointments:

It is determined to create a high performing quality business in the region. The biggest bank in the country has to be best and that means, they have to ensure that their appointment processes do everything possible to identify and appoint the best available talent to manage the new organization.

Enhance Communication:

There is a detailed plan to ensure that communication continues with the government and regulators, whose reactions have been positive. To manage high level of interest from the media, and to ensure that shareholders of both SCB and ANZ understand the transaction. Straightforward weekly communications will go to all staff, explaining recent developments and highlight the imminent developments.

2.12 Vision of Standard Chartered Bank

After the acquisition the new vision is one Bank, one message.

“The best of the best-that’s what we’re determined to become! Our aim is for Standard Chartered to be the world’s leading emerging markets bank.

“We will concentrate on what we do best”

Chapter-3.

3. An appraisal of credit card system of SCB

3.1 The Credit Card System

In today's economy, the payment system has come a long way since the days of barter. The concept of cards or "plastic money" was first introduced by the western union in the United States in 1914. The basic objective behind this initiative was to eliminate the trouble of carrying coins while traveling from one place to another. The system was well appreciated by everyone and began to spread out to other contexts also. In 1924, General Petroleum Corporation of California introduced their own fuel card to be used at their gas stations all over the country. This gave their customers the privilege of buying from all the General Petroleum outlets with this card instead of using cash money. The popularity of that card encouraged the banks to introduce this product to their customers. In 1947, the first bank issued its own Credit Card, just three years after that the widely known scheme operator Diners Club came into being. The incident that triggered the constitution of this organization is quite fascinating. The founder of Diners Club, Robert McNamara once experienced a very common embarrassment of forgetting to carry his wallet while entertaining guests at a restaurant in New York. This incident gave birth to the idea of charge cards.

In 1985, American Express introduced their corporate cards which has become the most widely used charge cards in the world today. Consequently, in 1966 Master Card and Bank Americard (Which later came to be known as MasterCard) and in 1977 visa were born. Both Master Card International and Visa International are scheme operators who operate all around the world through a wide range of established bank like, American Express, CITI Bank Hong Kong Shanghai Bank, Standard Chartered Bank and Standard Chartered Grindlays Bank etc.

3.2 Credit Card Operation In Bangladesh

Standard Chartered Grindlays Bank commenced its credit card operation in 1989, initially for acquiring merchant transactions for Visa and Master Card by JCB cards. The program was to accommodate the two five star hotels and few of the up market tourist oriented retails, which a total of 29 merchant accepting Visa and Master Card. Cash advance facility was provided only through the Standard Chartered Grindlays Bank main office in Dhaka. Apart from initial sign up and training of the merchants, little ongoing effort was committed to supporting card operations. All merchants operated on zero floor limit and approvals were available only during the usual transaction hours where a single approval could take anywhere between 30 minutes to 1 hour. In early 1995, a business review of cards in Bangladesh was conducted by senior management from Australian International cards Liaisons unit, where a potential for a viable card program was identified. Staff training , departmental restructure were undertaken in March 1995 to redress the inadequacies of the past and to prepare to combat the new threats of competition. In

January 1997, the first local currency credit card was launched by Standard Chartered Grindlays Bank.

3.3 The Credit Card Transaction Process

When a transaction through the cards initiated, it involves four parties: 1. Credit Card holder, 2. Merchant, 3. acquiring bank and the issuing bank.

The holder of the cards position is clear to us. The holder of the card is the customer of the card who have a valid credit card. The merchant is a business establishment which has the facility of accept credit card as a form of payment for goods or services. To have this facility the merchant needs to formalize an agreement with a bank which is called the acquirer bank. A credit card transaction is accepted by a participating merchant on the basis of either receiving a notice of electronic authorization or if the transaction is under a certain amount (floor limit). The acquirer bank gives this authorization after checking with the card issuer bank to find out whether this card is valid or not through scheme operators (Visa/Master Card international). This authorization also protects the merchant from accepting lost or stolen card presented by any person other that cardholder. In Bangladesh some top-end merchant use electronic authorization device known as CAT/CAP (Card Authorization Terminal and Capture) system. After the transaction between the cardholder and the merchant has taken the place, the merchant obtains reimbursement from the acquirer bank by presenting the voucher or electronic equivalent.

The Bank credits the merchants' account with the reimbursement from the credit issuer bank through the scheme operator (i.e. Visa/ Master Card). The issuing of a credit card involves the creation of a credit relationship between the issuer (normally a bank or a financial institution) and the cardholder. The issuer will perform a series of investigations (credit scoring) to establish the reliability of the customer before providing a credit limit. The card holder receive a statement of transaction from the issuer of a regular basis which includes cash advances, purchases and interest charges etc.

A similar process is followed when an acquirer bank select an establishment. The establishment's past business records, financial performance, bank's recommendation along with many more details are scrutinized before choosing it as a merchant and providing it necessary logistic and back-up support to accept cards.

3.4 Card Service Division

Cards service division of the Standard Chartered Grindlays Bank, Bangladesh start its operation in March 1995. Cards service Division deals with two type of business namely:

3.5 Merchant Acquiring Business

The bank is only acquirer of Visa, Master Card and JCB schemes. Presently, (as of March 28th, 1997) more than 600marchents are dealing with credit card. In acquiring business bank's income arise from " Merchant Service Fee" which is a percentage calculated on

total sales revenue conducted through accepting cards and from picking up unauthorized credit card.

3.6 Card Issuing Business

The bank is now issuing two types of credit cards. The first one is “ Gold Card” which has credit limit of TK. 100000 to Tk. 150000 and the other one is “ Silver Card” which has a credit limit of Tk. 10000 to TK. 100000. As of March 15th 1997 the bank has issued more than 1000 local cards in Bangladesh. In card issuing business bank derives income from annual fee of credit cards, interest on outstanding amount , late charge is case of failing to repay the minimum monthly requirement etc.

3.7 Customer Service

3.7.1 Customer service includes:

- 1) Keeping customer details in the computer system (Card pace).
- 2) Preparing “Approval letters” for new customers and sending those letters to customers address through courier service
- 3) Maintaining a “ Cardholders database” and updating it periodically.
- 4) Sending monthly statements to the cardholders.
- 5) Delivering plastics to respective branches of the bank
- 6) Providing 24-hour customer service for any quarry by the customers.

3.8 Credit Assessment

This includes the following functions:

- Receiving applications from the prospective customers in the different branches.
- Examining the applicant’s income documents.
- Evaluating the applicants organization where he works or the individual business.

- Evaluating the applicants disburseable income from the actual income minus expenses.
- Assessing the personal information like bankers statement, passport details, contract address ect.
- Beside on the information and the total disburseable income the credit limited for the individual applicants are set.

3.9 Merchant Service

It includes the following functions:

- Establishment of merchants with an imprinter, a merchant number and merchant agreement.
- Regular follow up with the merchant.
- Various promotional efforts for the merchants.

3.10 Operations

The main function of the operation department are as follows:

- Regular supply of the sales slips, “ merchant deposit summary” etc.
- Providing the authorization facility from 9a.m. to 10.30 p.m.
- Receipt of sales slips for making payment to merchants later on through crediting merchant account or giving “Pay-order”.

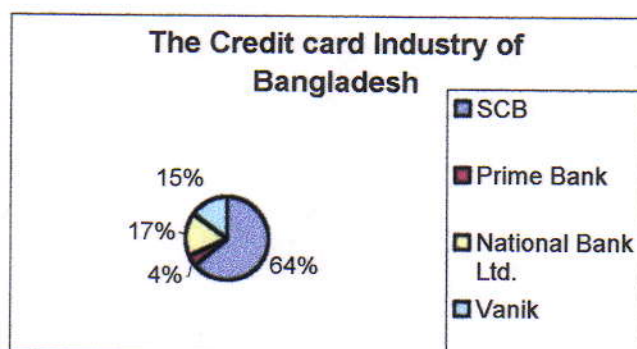
3.11 The credit Card industry in Bangladesh

Standard Chartered Grindlays Bank is the pioneered in local credit card business in Bangladesh. It started its January in 1997 and from then it is most successful in its business. It was the first introducing local; currency Visa and Master Card. Today beside Standard Chartered Grindlays Bank credit cards are also issued by National Bank Limited, Vanik and Prime Bank Limited. Well now if we divide the total market as 100%

then Standard Chartered Grindlays market share is 64% of the total market followed by that National Bank have 17% of the market share, Prime Bank 4% and the Vanik have the 15% of the market share.

Table: 3.1 The Market Share of the Major Player in Industry

Institutions	Date	No. Of Credit card Issued	Market Promotion
Standard Chartered Grindlay's Bank	January, 1997	16912	64%
National Bank Ltd.	1997	4395	17%
Prime Bank Ltd.	October, 1997	1180	4%
Vanik	August, 1997	4000	15%
Total		26427	100%



From the Table 1 and the figure 1 we can see that the Standard Chartered Grindlays Bank has more than 60% of market share. All three-market players are far behind. The market share of NBL and the Vanik is almost equal with 17% and 15% respectively. Prime Bank has a very small market share ,as we can see that it has started its credit card issuance less than a year.

At the beginning of the January, many new customers has opened new credit card with Standard Chartered Grindlays and a list of customers has withdrawal their names from the bank. Thus a significant portion of prospective customers are no longer interested to serve by the bank's credit card facility. Close accounts are the result of discontinuation of credit card facility to a cardholder due to various reasons on behalf of a cardholder as well as from the Bank's own initiative. The objective of the report is to determine different cause, relationship, characteristics and possible solution involving the closure of the regular credit card account. Among 16912 card issued by the Standard Chatered Grindlays Bank. Grater portion of the Bank's credit card is withdrawn each year for various reasons. Some major reason of closing the credit card account by the Bank is the default by the cardholder. The main customers reason behind withdrawing the credit card are dissatisfaction, lower credit limit, higher interest rate etc.

Chapter-3

3.12 The Result of the Survey

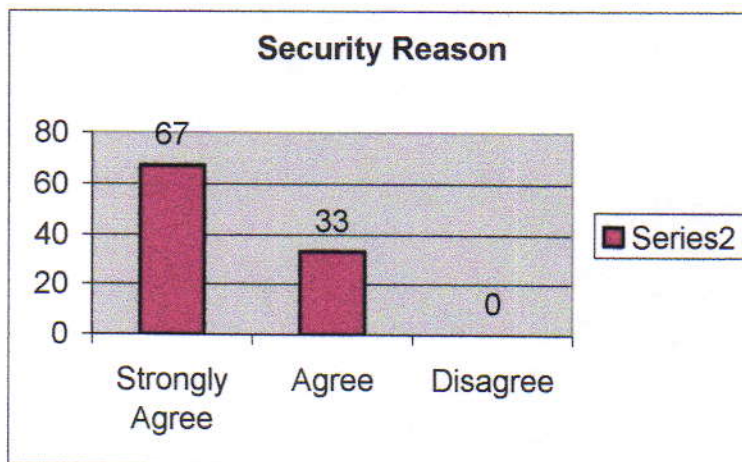
To find out the potential of Standard Chartered Grindlays Bank's Credit Card I have conducted a survey. The survey was based on questionnaire method where the size of the sample was fifteen. Here the entire sample is regular user of the standard Chartered Grindlays credit card. Each sample was asked ten questions regarding the credit card and they marked the answers of the questions as Strongly Agree, Agree and Disagree according to the priority. The result of the survey is given below:

3.12.1 The security reason

These days holding cash money has become risky everyday because of the high crime rate. The credit card holders were asked whether they agree that they use the credit card instead of cash money for the security reason. 67% of the sample strongly agreed and other 33% also agreed with it. From the survey I have found out that 100% of the customers agreed to some extent that they used the credit card for the security reason.

Table 3.2

Sample size	Strongly agree	%	Agree	%	Disagree	%	Total
15	10	67	5	33	0	0	100%

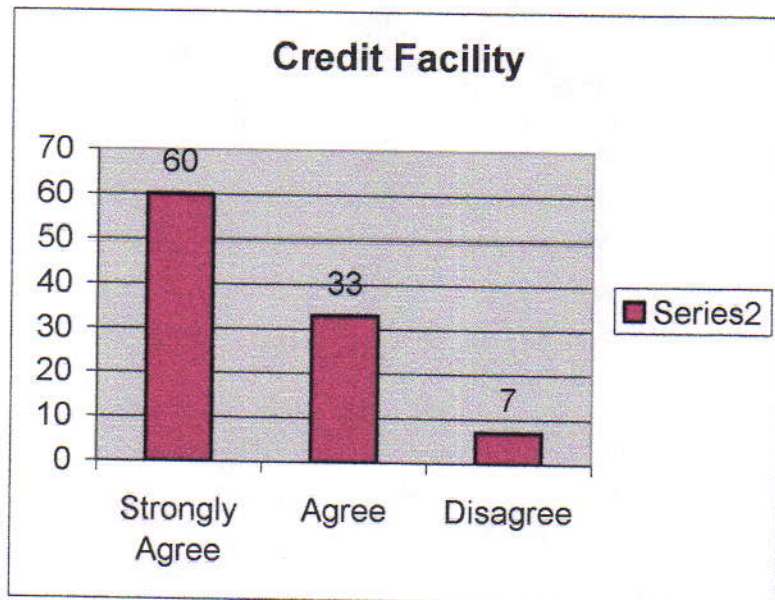


3.12. 2 The Credit Facility

The sample was asked whether the credit facility was enough for them or not. 60% strongly agreed that it was enough for them while 33% agreed that it was enough and 7% disagreed that the credit facility was not enough for them.

Table 3.3

Sample size	Strongly Agree	%	Agree	%	Disagree	%	Total
15	9	60	5	33	1	7	100%

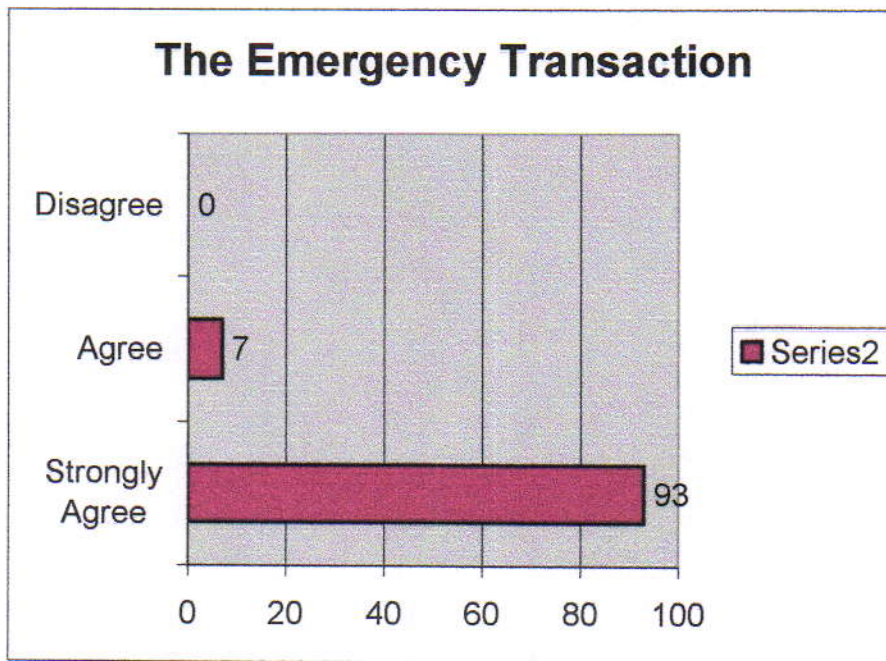


3.12. 3 Emergency Transaction

The sample was asked whether the credit card met their emergency transaction needs. 93% strongly agreed and 7% agreed that the credit met their emergency transactional needs. None of the samples disagreed that credit card did not meet their emergency needs.

Table3.4

Sample size	Strongly Agree	%	Agree	%	Disagree	%	Total
15	14	93	1	7	0	0	100%



3.12. 4 Convenience

The card holders were asked how comfortable they were using the credit card whether they found it convincing or not. 67% strongly agreed and 26% agreed that they were comfortable with their credit card. But 7% disagreed that they were not comfortable with the credit card.

Table 3.5

Sample Size	Strongly Agree	%	Agree	%	Disagree	%	Total
15	10	67	4	26	1	7	100

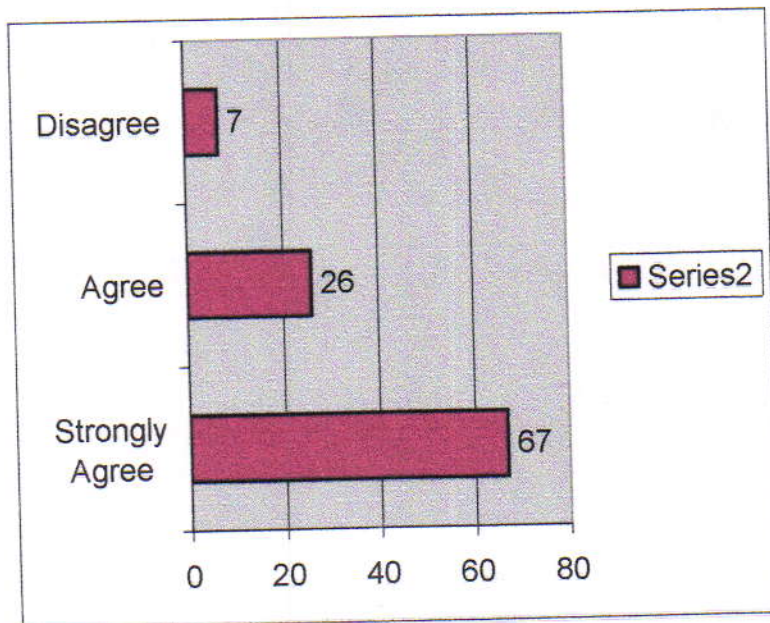


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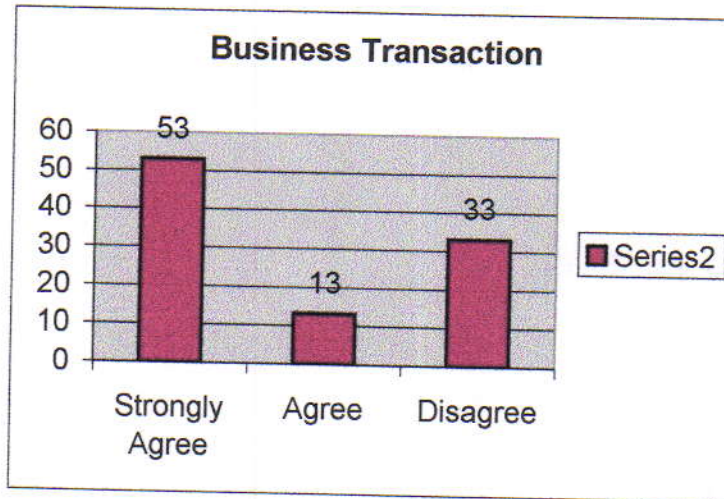


3.12. 5 Business Transaction

The credit card holders were asked whether the card served their business transactional needs. 53% of the sample agreed that it served their business needs while 14% agreed that it served the need up to some extent and 33% disagreed that it did not serve their business transactional needs.

Table 3.6

Sample Size	Strongly Agree	%	Agree	%	Disagree	%	Total
15	8	53	2	14	5	33	100

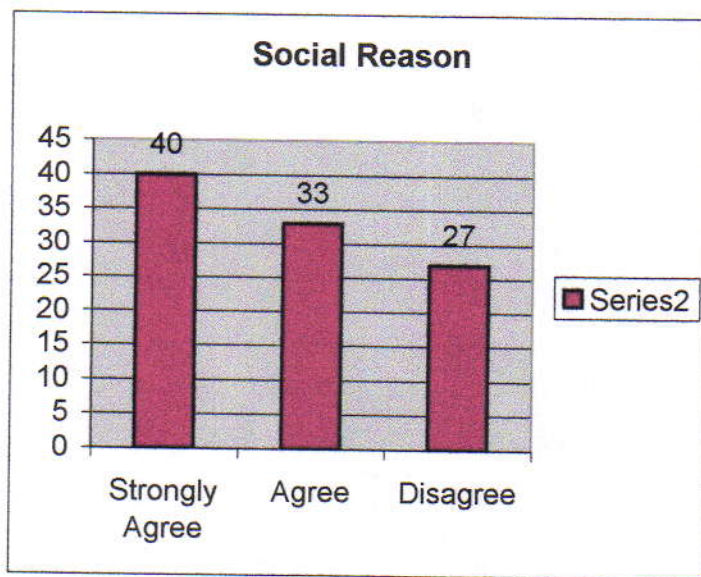


3.12. 6 Social Reason

The sample was asked whether the card held a prestigious symbol for them. Did they feel social upgraded than others through the credit card? 40% of the customer of credit card strongly agreed While 33% agreed it did have a social impression. At the same time 27% disagreed that the card had any social impact on them.

Table 3.7

Sample Size	Strongly Agree	%	Agree	%	Disagree	%	Total
15	6	40	5	33	4	27	100

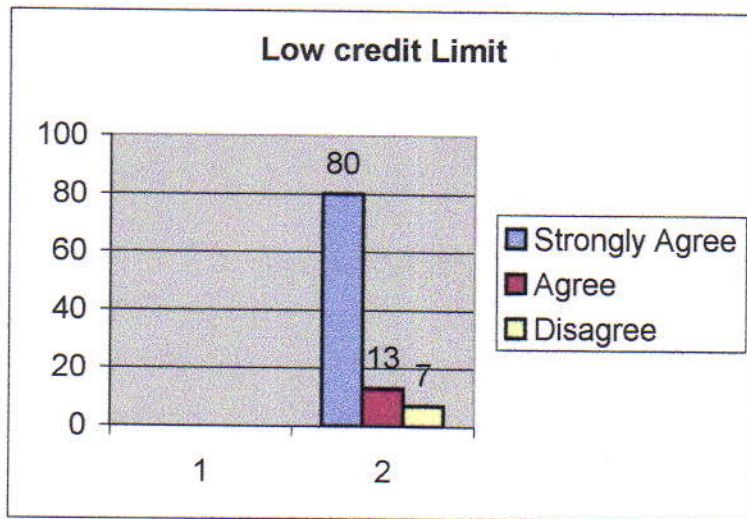


3.12. 7 Low credit Limit

The sample was asked whether the credit limit was enough for them or not. 80% strongly agreed that it was enough while 13% agreed up to some extent it was enough. But according to 7% of the sample the credit limit was not enough.

Table 3.8

Sample Size	Strongly Agree	%	Medium	%	Low	%	Total
15	12	80	2	13	1	7	100

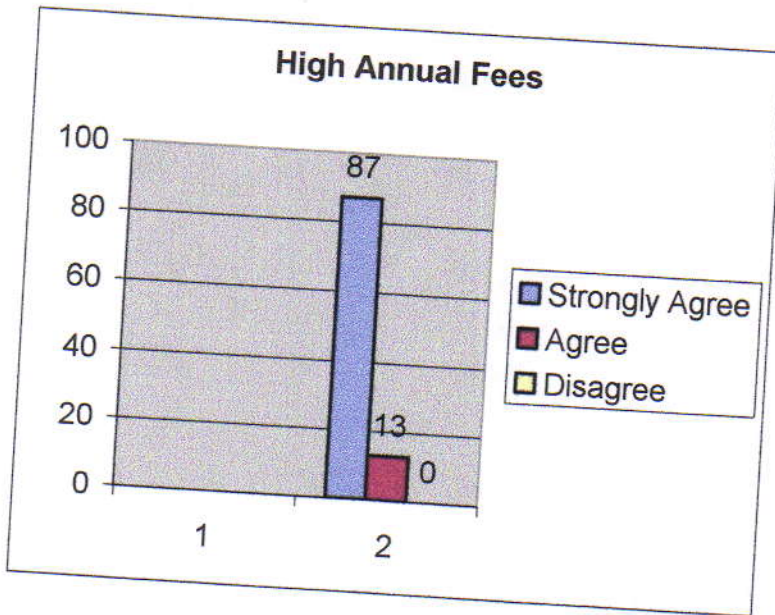


312. .8 High Fees

The sample was asked whether the annual fee of the Standard Chartered Grindlays was high. 87% of the sample strongly agreed and 13% agreed that the annual fee was high while none of the customers disagreed that the annual fees was high.

Table 3.9

Sample size	Strongly Agree	%	Agree	%	Disagree	%	Total
15	13	87	2	13	0	0	100

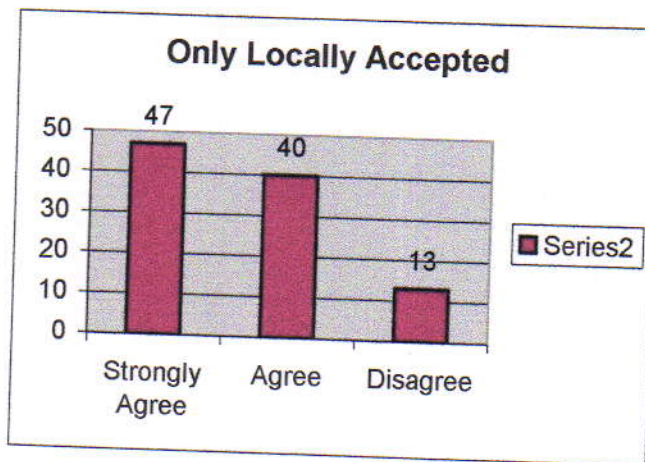


3.12. 9 Local Acceptance

The credit card holders of the Standard Chartered Grindlays Bank were asked what they thought about their credit card as it was only locally accepted while many other Banks have internationally accepted credit card. Did they think it was a major weakness of their credit card? 47% strongly agreed and 40% agreed that it was a major problem for them. But 13% did not identify it as a problem.

Table 3.10

Sample size	Strongly Agree	%	Agree	%	Disagree	%	Total
15	7	47	6	40	2	13	100

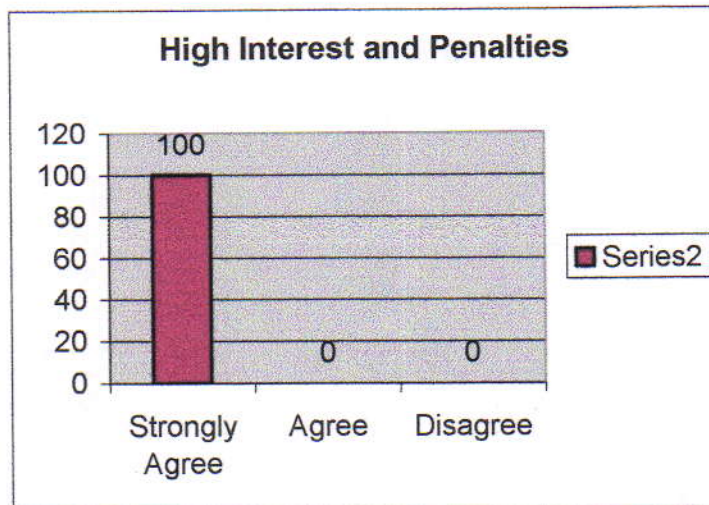


3.12. 10 High Interest and Penalties

The sample was asked whether the interest and/or penalties that they paid were high or not. 100% of the customers strongly agreed that the interest and penalties that they paid are extremely high.

Table 3.11

Sample size	Strongly Agree	%	Agree	%	Disagree	%	Total
15	15	100	0	0	0	0	100



Chapter-4

4.PROBLEM PROSPECT And RECOMMENDATION

4.1 Prospect of Credit Cards

Standard chartered Grindlays Bank is the pioneer in Bangladeshi taka Credit Card.

The cards service division of Standard Chartered Bank offer Master Card Gold, Master Card Silver and Visa Silver Cards in local currency. These cards are valied for use only in Bangladesh. Very soon by the beginning of the September 2002 Standard Chartered Grindlays Bank is coming up with the internationally accepted credit card. The main features of this credit cards are:

- They provide revolving credit facility.
- They can be used to purchase goods services as wide range of outlets.
- Cash withdrawal facilities are available from the automated Trailer Machine (ATM).

A revolving credit facility allows the cardholder to make purchase up to a credit limit as determined by the bank. If the cardholder makes payment of the full or minimum amount due (10% of the full outstanding amount or Tk. 500, whichever is greater) at the end of the month then he or she is using the account as a regular account. Since a credit card offers its holder the option of revolving credit, the cardholder does not have to settle his entire account at the end of each month. The cardholder can instead opt to make partial payment every month (minimum required payment or 10% of total outstanding) and pay a set of interest of the remaining daily outstanding balance. The amount of minimum

payment or minimum payment of the amount due, he or she has to pay a service charge on the unpaid balance. The difference of the entire outstanding balance in the billing statement and the minimum payment is then added up which the daily outstanding, on which the service charge is levied. The service charge is equal to a monthly interest rate of 2.5%. The monthly payment is presumed to cover interest first and cover principal only if the payment exceeds the interest. A monthly interest of 2.5% is also charged whenever a cardholder withdraws cash from the ATM from their credit card. As the outstanding balance is reduced by payments, the cardholder can again make purchase up to the limit, those providing the revolving loan facilities.

Standard Chartered Grindlays Bank is offering world famous brand name like Master Card Gold, Master Card Silver and Visa Silver card. Any individual between the ages of 21 to 70 can apply for a credit card. To be eligible for Master Card Gold, the applicant must have a regular gross monthly income of TK. 55000 or above after tax. On the other hand to be eligible for a Master Card Silver or Visa Silver, the applicant must have a regular gross income of TK. 10,000 or above after tax. The other benefit of owing a standard Chartered Grindlays credit card is:

- Minimum credit limit of TK. 100,000 for Gold Credit card and TK.10, 000 for any type of silver card. Maximum credit limited of TK. 250,000 for Gold credit card and 90,000 for any silver card.
- Convenient way of payment for purchase.
- Free air death insurance.
- Maximum 45 days of interest free credit period.
- Minimum amount of cash advance is TK.1, 000.

- Cash withdrawal facility from any of the banks ATM in the bank's sales and service center or any of the branches. Maximum cash withdrawal limited is 20% of the total credit limit.

The basic sources of revenue in the credit card program are:

- Service charge from participating merchants which is 3% to 5%.
- Interest revenue on cardholder's unpaid balance.
- Free charge against a cardholder's account.

4.2 Benefits of using Credit Card

In today's socio-economic context, holding cash money in hand is no longer secured.

This is why the plastic money of credit card adds lots of advantages to the people's life.

The benefit of using credit card are given below:

4.2.1 Security:

Standard Chartered Grindlays Bank card provides more safety than cash. If a card is lost or stolen, the credit card holders can immediately report at CSD to block his or her account, thus preventing any fraudulent transaction from taking place.

4.2.2 Convenience:

The Credit Card is easier to carry than cash. The credit Card holder can make any retail purchase within the credit limit. The limit for a Standard Chartered Grindlays credit card can range from TK.10, 000 to TK. 250000. Such huge amount of money is very difficult to carry in the form of cash these days. Another advantage of carrying a credit card is at time of need, a credit card holder can withdraw 20% of its total credit limit as cash from an ATM machine or any branches of Standard Chartered Grindlays Bank. Also it's credit card is accepted by more than 2000 merchants all over the country.

4.2.3 Revolving Credit Facility:

The credit card holder enjoys revolving credit facility of Standard Chartered Grindlays Bank up to his or her credit limit. Revolving credit allows the cardholder to use the card again and again after finishing his/her credit limit only by making payments of the dues. Another major incentive of Standard Chartered Grindlays Bank credit card is that it provides maximum of 45 days of interest free credit facility.

4.2.4 Business Transaction:

Since Standard Chartered Grindlays Banks card is a highly reputed credit card, it can be used to make large amount of business transaction at one time.

4.2.5 Emergency Transaction:

The Standard Chartered Grindlays Bank credit cardholder can use the credit card in time of emergency transactions. If a situation arises when the cardholder does not have cash available at the emergency need then he/she can use the credit card to make the transactions. Also at the time of need the credit card holder can withdraw cash from ATM machines or any of the Standard Chartered Grindlays Bank branches.

4.2.6 Payment Facility:

The credit cardholder does not have to make immediate cash payments to the bank after using the credit card. He/she has to make the payment within 15 days of his statement generation. Each cardholder has a specific statement date every month. Also, cardholder account is kept regular only by paying minimum amount dues rather than the total amount. Additionally, a cardholder having account at Standard Chartered Grindlays Bank can enjoy the “auto-debit” facility. “Auto-debit” facility is when a cardholder does not make minimum payment within that due date; it will automatically be credited to his account from his depository account.

4.2.7 Add-on Facility:

Maximum three cardholder can make use of the same credit card. The person opening the account is known as the primary cardholder and the remaining two are known as add-on cardholders. These two cardholders can use the card in the same manner as the primary cardholder. The bank maintains all its correspondence with the primary cardholder only.

4.2.8 Auto Debit Facility:

Any cardholder, who has an account in Standard Chartered Grindlays Bank, has the option to give the bank his instruction to mitigate the minimum payment against his card’s account. Those cardholders do not have to pay the bill physically. Instead the amount is deducted from his current savings account of the bank.

4.2.9 Free Insurance

Cardholder of Standard Chartered Grindlays enjoy the free air travel life insurance.

4.2.10 Discount Facility:

Using a credit card, a cardholder has an extra incentive of discount in special occasions. For example, 20% discount is offered by Pan Pacific Sonargaon hotel's cafe bazar to all cardholders. Bangladesh online, an Internet provider, is offering similar incentive. Again all the Gold card holders enjoy special discount facilities from maximum retail shops.

4.2.11 Social Reasons:

It is generally perceive that credit card represents a higher status symbol.

4.3 Problems of Credit Cards

Based on the survey, I have found out that the following problems of Standard Chartered Grindlays Credit Card:

4.3.1 Low Credit Limit:

The credit limit for Standard Chartered Grindlays Bank credit card range from Tk. 10,000 to Tk. 2,50000. Many of the credit card holders complained that credit card limit they

were given were too low. Also, they were not given any concrete explanation for such low limit.

4.3.2 High Fees:

The annual fees and renewal fees of TK. 3000 and TK. 1500 for “Gold” & “Silver” cards were thought to be too high. Beside card replacement for Silver cards are TK.500 and for Gold, TK.1000. Add on card fee for silver card is TK. 1000 and for Gold card TK.1500. Cardholders complained they were not aware of the fact that they had to pay an annual charge and often said that these fees are high.

4.3.3 High Interest & Penalties:

Cardholders complained they were not aware that they had to pay any interest or penalties. Once they had found out these interest charges & penalties, they found them to be too high. The interest charges include an annual rate of 30% on any unpaid balance and on cash withdrawal. Also in case of cash withdrawal there is no interest free period; interest is charge from the day after cash is withdrawn. Penalties include a flat charge of TK.500 and TK. 350 for late payment for “ Gold” and “Silver”. There is an auto-debt reversal charge of TK.500 is charged when the cardholder does not have at least the minimum amount of deposits in their depository account. In the case of auto debit reversal charge, the cardholder is penalized TK.500 for not having fund in his account and again charged TK.350 for late payment as the auto debit option was applied on the due date of last payment. According to a cardholder, they are panelized twice (For

dishonoring the payment through account without any fund and having a late payment charge) for one reason.

4.3.4 Incompetent DSA:

Many cardholders complained the DSA's did not give them the complete picture of their responsibilities when applying for the cards. Some cardholders complained that the DSA agents promised them higher credit limit. Others complained that SDA agents assured them of discount facilities regarding various charges such as annual fees, add-on fees etc.

4.3.5 Misconception:

Many of the cardholders who had decided to close their account had a misconception regarding various policies and condition for using a credit card. As most of the time cardholders do not read the condition of using a credit card (Which was delivered to them with card), they do not understand the different rules and regulations of the bank policies. For example, when a cardholder pays the minimum amount of his outstanding, he assumes that the monthly service charge of 2.5% is levied on the remaining balance of the month i.e. the difference between the total outstanding of the month and the minimum amount. But actually, the service charge is levied on the daily average balance after paying the minimum amount. But actually, the service charge levied on the daily average balance after paying the minimum amount. Thus when a cardholder makes a purchase with the card, the amount is also added up with the remaining amount after paying the

minimum bill and the monthly service charge is applied on the entire outstanding of the day.

4.3.6 Unsatisfactory service Received

Cardholders complained they have not received their correspondence from the bank on time. Non-starters who were issued renewed cards complained that they have not received their monthly statement on time thus resulting in late payments. They also ignored to activate their card as they failed to receive any statement. They were unaware of the annual fees, which was late accrued with late payment fees. Cardholders also complained that it is very difficult to get telephone connection of the “ Customer Service” unit for their basic inquiries. They also complained that once they had made complaints at the bank, no follow up were made. Finally, Cardholders complained that payment clearance process is too slow among other things.

4.3.7 Insufficient Numbers of Merchants:

Non-starters complained that the number of merchants is insufficient and thus they have no use of credit cards. Non-starters who are renewed cardholders complained many of the stores reject the credit card without seeking approval from the Bank.

4.4 RECOMMENDATION

These days the life is becoming more and more complicated everyday. So caring cash money is no longer a safe thing to do. This is why the credit cards are becoming very popular among people as smart plastic money. It is safe and easy to use. Another reason for credit cards popularity is the Internet. One can't shop online without a credit card. So with the changing need of life credit card is become an essential of life. As the concept of credit card is new in our country most of the people don't have any wide idea about it. But it has a great prospect in our country. The Standard Chartered Grindlays Bank the first introducer of credit card have many bright side of their credit card at the same time the have some problems also. So to overcome its problems I would like to recommend on the following issues to take care:

(1) Lower interest rate:

The interest charged against the using the credit card is very high. The customers have to pay 30% as interest for purchasing any goods charging their credit card after a certain period of time. The survey result shows that 100 % of the customers find it as a major problem for the credit card. So the interest rates should be lowered to attract more customers.

(2) Increased the Credit Limit:

The credit limit for the Master card Silver and Visa card Silver has maximum credit limit of 100000 and the credit limit for the gold mastered card is maximum 150000 Through the survey I have found out that 97% of the customers think the credit limit should be increased. So I think the credit limit should be increased.

(3) Reduced the penalties:

If the card holder withdraw cash using the credit card the interest start against the cash withdrawal from the first day. This type of penalties should be reduced to attract more new customers.

(4) Introduced Internationally accepted credit card:

The Standard Chartered credit is only locally accepted credit card. They have the plan to introduce internationally accepted credit card. They should come up with the international credit card to be competitive.

(5) Increase Manpower:

The most of the cards DSA's are not permanent employee of the Bank. They work in the Bank in the temporary basis. This is why most of the time they are not very trained. So the Bank should increased the Manpower and hair the permanent employee for the card operation and customer division service.

(6) Increase the Customer service:

Many customers complain that the customer service of the Standard Chartered Grindlays card service is not good. As they have to wait a long time to get the customer service. As the customer service's telephone line is always busy. So the telephone lines should be increased to offer better customer service.

(7) Increase the Promotion:

There is not much promotion of credit card in the media. The Bank should promote their credit card in mass media like TV and newspapers. If they don't go for mass media then it would be tough for them to get mass customers.

(8) Lower the annual fees:

The annual fees for the credit card is identified as high by the 93 % of the customers. The annual fees for the credit card should be reduced. As at present the renewal fee is 3000 for gold card and 1500 for the silver card.

(9) Remove the misconception:

General people have much misconception about the credit card. So through the promotion and better communication with the customers the misconceptions should be reduced.

(10) Trained the DSA's:

As most of the cards DSA's are contract basis employee they are not trained well by the Bank. But to attract more customers Bank should trained the DSA's well.

4.5 Conclusion

According to the research that was conducted on credit cardholders, I have so far identified the possible cause of satisfaction and dissatisfaction of credit cardholders. Since the bank is on trend of issuing more and more credit facilities to its valuable customers, it is also hindered by the flow of withdrawing card facility by the cardholders. When the bank will be able to identify the problems and prospects of credit card only then the bank can gain more market share.

According to the finding of the research, Standard Chartered Grindlays Bank holds more trained Direct Sales Agent (DSA) who will elaborately introduce credit card to a valuable prospect. They should not make any false promise or provide misleading information to the customers. The rules and condition regarding credit card should be more easily understandable by a cardholder. Even, the bank can provide a Bengali version of condition of use and schedule of charge so that an ordinary person can understand the entire issue. Important issues like fines and charges should be especially emphasized in the documents. The service of the bank can be improved by providing training to the personnel. Educational background of the cardholders should be considered prior to issuing credit card. On the basis of different valuable criteria, a nominal point can be assigned to a prospective customer for issuing credit facility. Moreover, the complaints that come from the cardholders should not only be listened but also have to be solved. It is only then Standard Chartered Grindlays Bank will be able to come over the problems to gain more market share of credit cards.

APPENDIX

Questionnaire

I am a student of East West University. I am doing my internship with Standard Chartered Grindlays Bank. For my academic purpose I need to conduct a survey. All the information that would be provided by the respondent would be only used for the academic purpose.

- Name:
- Age:
- Occupation:
- Address:
- Education:

(1) Do you think the credit card provide you security rather then the paper money?

(A.) Strongly Agree (B) Agree (C) Disagree

(2) Do you think your credit card have enough credit facility?

(A) Strongly Agree (B) Agree (C) Disagree

(3) Do you think the Standard Chartered Credit card meet your emergency transaction?

(A) Strongly Agree (B) Agree (C) Disagree

(4) Is using credit card is convenient?

(A) Strongly Agree (B) Agree (C) Disagree

(5) Do you use the Credit card for regular business transaction?

(A) Strongly Agree (B) Agree (C) Disagree

(6) Does credit card provide you in more prestigious position in the society?

(A.) Strongly Agree (B) Agree (C) Disagree

(7) Do you think your credit card have enough credit limit?

(A.) Strongly Agree (B) Agree (C) Disagree

(8) Do you think the annul fees you pay for your credit card is enough?

(A.) Strongly Agree (B) Agree (C) Disagree

(9) Are you happy as you have a credit card which is only locally accepted?

(A) Strongly Agree (B) Agree (C) Disagree

(10) Do you think Standard Chartered Charge high interest and penalties against their credit card?

(A) Strongly Agree (B) Agree (C) Disagree

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