



**INTERNSHIP REPORT ON
'A STUDY ON SME BANKING OF
BRAC BANK LIMITED'**

SUBMITTED TO

Professor Dr. Mostafa Kamal

Department Business Administration

Daffodil International University

SUBMITTED BY

Md. Uzzal Hossain

ID- 172-14-2466

MBA Program

Submission Date: 7th December, 2019

Letter of Transmittal

7th December, 2019

To

Professor Dr. Mostafa Kamal

Department Business Administration

Daffodil International University

Subject: Submission of the Internship Report

Sir,

I am submitting my report the name of the title “*A study on SME Banking of BRAC Bank limited*” as it the requirement of the MBA program.

I would like to thank you for giving me the chance to make this report under you for my MBA program to submit and complete the post graduate. I am really thankful to you that the privilege to make it.

I sincerely hope that my work will come up to the level of your expectation.

Sincerely Yours,

Md. Uzzal Hossain

ID: 172-14-2466

Program: MBA

Letter of Declaration

Date: 07/12/2019

Professor Dr. Mostafa kamal

Department of Business Administration

Faculty of Business & Economics

Daffodil International University

Subject: **Declaration regarding the validity of Internship Report.**

Dear Sir,

This is my declaration that the “A study on SME Banking of BRAC Bank limited”, Narayanganj Branch. Which is submitted to you not a copy of any other Internship report previously made by any other student.

I also express my confirmation in support if the fact that the said internship report has neither been before to fulfill any other course related purpose nor it will be submitted to any other person or authority in future.

Sincerely,

.....

Md. Uzzal Hossain

MBA, Major in Finance


ID: 172-14-2466

Letter of acceptance

This is to certify that Md. Uzzal Hossain Bearing ID: 172-14-2466 has prepared this internship report on “A study on SME Banking of BRAC Bank limited” under my supervision & guidance. This is for the partial fulfillment of two year post graduation degree of MBA in Major-Finance of daffodil International University.

I have gone through the Master paper. He has accomplished the report by himself under my supervision.

I wish his every success in life



.....
Professor Dr. Mostafa kamal
Department of Business Administration
Faculty of Business & Economics
Daffodil International University

Acknowledgement

First of all I would like to thank almighty Allah for giving me the patience and proper time to complete the internship program successfully.

Completion of this report has made me grateful to a number of persons. I would like to acknowledge my honorable supervisor Professor Dr. Mostafa Kamal for giving me the opportunity to prepare the report. His valuable suggestion made it easy for me to prepare the report. I also thank Mr. Md. Nurul Islam, my BRAC Bank Ltd. Supervisor, for his great support to prepare this report. And also thanks to my others helpfulcollogues.

The report contains high voltage and its all information is collect from the BRAC Bank Ltd. This is a very important part that these reports are the BRAC Bank Limited information and SME in Bangladesh evaluation. The major objective is to know details of SME loan & evaluation of BRAC Bank Limited. And also The SME products and its disbursement & recovery and expectation of customer of BRAC Bank Ltd. So, also thanks to BRAC bank Ltd.

Md. Uzzal Hossain

ID: 172-14-2466

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Executive Summary

BRAC Bank Limited is a scheduled commercial bank in Bangladesh. It established in Bangladesh under the Banking Companies Act, 1991 and incorporated as private limited company on May 20, 1999 under the Companies Act, 1994. Its operation started on July 4, 2001 with a vision to be the market leader through to providing all sorts' support to people in term of promoting corporate, small entrepreneurs and individuals all over the Bangladesh. BRAC Bank will be a unique organization in Bangladesh. The bank consist of major divisions named 1) Corporate banking, 2) Retail banking, 3) Operations 4) Small & Medium Enterprise (SME). At present the Bank operating its business by 165 branches and 624 SME offices. BRAC Bank is the first local commercial banks that proving online banking service to its customers from the very beginning of its starts. BRAC Bank, for the first time among local commercial banks, starts providing loan facilities to small and medium trading, manufacturing and service oriented enterprises all over the country. The bank has already established its network in different area of the country with assistance of BRAC.

BRAC Bank is trying to develop economic condition of the country. So the bank provides loan facility 3 to 30 lacs taka to that small and medium enterprise that has no easy access to banks/financial institutes. The bank already established 41 Zones and 624 SME offices all over the country. There is 2104 Officers providing service to clients. Till 2014, the bank Disbursed 471618 loans which amount is Tk 291871 million. The success of SME will largely depends on the selection of a business and man behind the business. BRAC Bank provides this facility to those whose business operation is minimum one year and environment friendly business. It provides no loan facility to tobacco business. The business should be legally registered and must have valid trade license. The entrepreneur should be physically able, preferably between the ages 21 to 65. She/he must have the necessary technical skills to run the business and acceptable social standing in the community i.e. people should speak highly of him/her. BRAC Bank gives equally important to the guarantor to getting the SME facility. The guarantor must have the ability to repay the entire loan and is economically solvent. The guarantor should know the entrepreneur reasonable well and should preferable live in the same community. SME loan can be repaid in two ways, 1) in equal monthly loan installment with monthly interest payment. 2) By one single payment at maturity, with interest repayable a quarter ends residual on maturity. Customer relation officers search new potential customer by providing door-to-door service. They talk with clients and monitor their manners, activities of their business and provide the loan to the potential customers. SME, BRAC Bank may provide 100% of net required working capital but not exceeding 75% of the aggregate value of the inventory and account receivable.

The Organization

BRAC Bank Limited

Introduction:

BRAC Bank Limited is a full service scheduled commercial bank. It has both local and International Institutional shareholder. The bank is primarily driven with a view of creating opportunities and pursuing market niches not traditionally meet by conventional banks. BRAC Bank has been motivated to provide “best-in-the-class” services to its diverse assortment of customers spread across the country under an on-line banking dais. At present, BRAC Bank is one of the fastest growing banks in the country. In order to support the planned growth of its distribution, network and its various business segments, BRAC Bank is currently looking for impressive goal oriented, enthusiastic, individuals for various business operations. The bank wants to build a profitable and socially responsible financial institution. It carefully listen to the market and business potentials, It is also assisting BRAC and stakeholders to build a progressive, healthy, democratic and poverty free Bangladesh. It helps make communities and economy of the country stronger and to help people achieve their financial goals. The bank maintains a high level of standards in everything for our customers, our shareholders, our acquaintances and our communities upon, which the future affluence of our company rests.

Product and Service offerings:

BRAC Bank Ltd. is currently grabbing four different areas of business that's are given below:

- SME Banking
- Retail Banking:
 - ✓ Retail Distribution
 - ✓ Non Funded Business and Secured Value Center.
 - ✓ Alternate DeliveryChannel
 - ✓ Unsecured Value Center
 - ✓ Liability
 - ✓ Service quality/business intelligence
 - ✓ Collections
 - ✓ Cross selling
 - ✓ Regional Distribution
- Corporate Banking
- Probashi Banking
- e-Banking
- Treasury & Financial Institution
- Marketing & Corporate Affairs

SME Products:

Currently BRA CBANK is offering 9 SME packaging. These are listed and briefly explained below:

- ❖ **Anonno-** “Anonno” is a business loan that is designed for the help of small and medium entrepreneurs.

- ❖ **Apurbo-** Apurbo is a loan facility also designed for the small entrepreneurs.

- ❖ **Apurbo plus-** "Apurbo plus" is a loan facility for small and medium sized business, which is operated. This is for the secured loan that also for small and medium entrepreneur.

- ❖ **Nirman-** “Nirman” is a loan facility to meet fixed asset finance

- ❖ **Bahon-** Bhanis a business loan facility that give for the vehicle facilities..

- ❖ **Tara-** is a Business loan that is designed for the creating women entrepreneur. This is only for the women entrepreneur.

Retail Banking:

There are three type of retail loan that is the service loan, card loan and deposit loan.

Corporate Banking:

Corporate Banking section has three types of coverage currently. These are:

1. Corporate Loan Products
2. Trade Financing
3. Corporate Cash Management

Corporate Loan Products:

Overdraft – this is to meet up day to day operational activity of the business..

Term Loan – Term loan have many different categories that is for this criteria.

Lease Finance – This loan provide for the customer they can meet up for there working capital shortage..

Loan Against Trust Receipt (LATR) – Bank provide loan against to take money receipt.

Trade Finance:

Letter of Credit (LC)

This for the import and export support for the customer.

Letter of Guarantee (LG)

Bank provide guarantee on behalf of the customer.

Corporate Cash Management:

Brac bank take cash management policy through the customer memo.

Cash Management Services – BRAC Bank's national Collection Services (NCS) is designed to assist corporate with nationwide collection requirements by providing faster funds availability in a cost- effective manner.

Cash Collection Services: Through BRAC Bank Cash Collection Services they collect cash directly from clients offices/business premises. The whole process is arranged with executive logistic services.

Vision:

Building a profitable and socially responsible financial institution focused on Markets and Business with growth potential, thereby assisting BRAC and stakeholders build a just, enlightened, healthy, democratic and poverty free Bangladesh..

The Vision Statement:

We know that a vision statement should be one, long sentence with specific details about where an organization wants to be in future. In the long run a business or an organization has to meet a certain target or goal, which is what, comes into the vision statement. So the above plan of BRAC Bank is summarized as follows just, enlightened, healthy, democratic and poverty free Bangladesh".

Job Description:

This is a SME loan related job. A new project of 10 thousand SME customers Database. What I did is fill the gap of customer profile like, Subject code, Loan status, Installment status etc. I did another job is phone calling to the customer and confirm the meeting of our officers, and also offering the loan product. If customers feel interest then I contact with our unit office officials and said them to meet those customers. In my 3 months internship, I got 3 days training program from BRAC bank Ltd. I visited 1 branch office, 1 unit office and 1 monitoring office. From these offices, I have got various kind of experience of banking systems, operations procedure, customer relationship etc.

Different aspects of job performance:

There few specific responsibilities I have performed. These are:

CIB Search: CIB (Credit Information Bureau) search one of my core responsibilities. In Bangladesh bank website, put various information of customers and check the customers loan status and fill up some gap of the customers information like, subject code, installment status etc.

Information collection, Data entry and Compiling Data: From CRO (Customer Relationship Officer), some scanned information of customer I have got. From that raw information I entry in customers database. After completion data entry I arrange that in one file this is called compiling.

Phone call and Confirmation: At the very last time of my internship, I perform in phone call to offering home loan to the listed customer and also confirming that selected CRO visited customer or not. From the customer reply I also put their status on their database. If customer interested I confirm to CRO to further visit to the customer. If some other reason then I just put their reply in their database.

Critical Observations and Recommendations:

Boss and subordinates relationship: I observed that between boss and subordinate has friendly relationship for some cases. But there are also some traditional boss exist whose only need order and work. They just don't much talk with subordinate without any works. But there are more leaders whose have power to control their subordinate with motivation and caring.

Organizational culture and behavior: Organizational culture and behavior is well maintained. In any organization there much more need ethical culture and behavior than paper rules and regulation. In BRAC bank I saw that is very good. Every employee have positive attitude about their office culture and behavior.

Employees reward and orientation: BRAC bank has structure employees' reward and orientation facilities. They strictly judge every employees performances which called performance appraisal and give them reward, increment and promotions. Employees also use their pin to any aarong shop with 10% discount. On the other hand compare to others bank BRAC bank salary structure bit low. So bank should think about it.

Working environment: BRAC bank ensures good working environment for its officials. But not the best, bank should make friendlier working environment for employees. It may produce more works.

Medical and Day care facilities: BRAC bank head office has medical and day care facilities but others office don't have. So authority should focus others offices.

Centralized structure: BRAC bank follows centralized official structure. In every important decisions comes from top level and also every important have to pass from top level. I think it is not good idea. Decentralized is best idea to work efficient end effectively.

Transport facility: BRAC bank has no transport facility for inside officials. They just only provide bike to the CRO for customer visit. BRAC bank should introduce this facility for better security of its employees.

Summary:

The project is prepared to analyze the SME loan prospect and procedure and also BRAC bank study. Here I am trying to elaborate whole business policy and their description. In chapter 1, theoretical aspect of SME banking in Bangladesh is being stated. In chapter 2, descriptive study of BRAC bank SME banking system and also describe their loan and deposit product and services. In chapter 3, detail discussion several loan product of BRAC bank and their primary to disburse procedure and repayment system. In chapter 4, trying to do some competitive analysis, result and discussion of the report. And the end chapter 5, there are some recommendations and draw the conclusion.

Description of the project:

Objective of the project:

Broad Objectives:

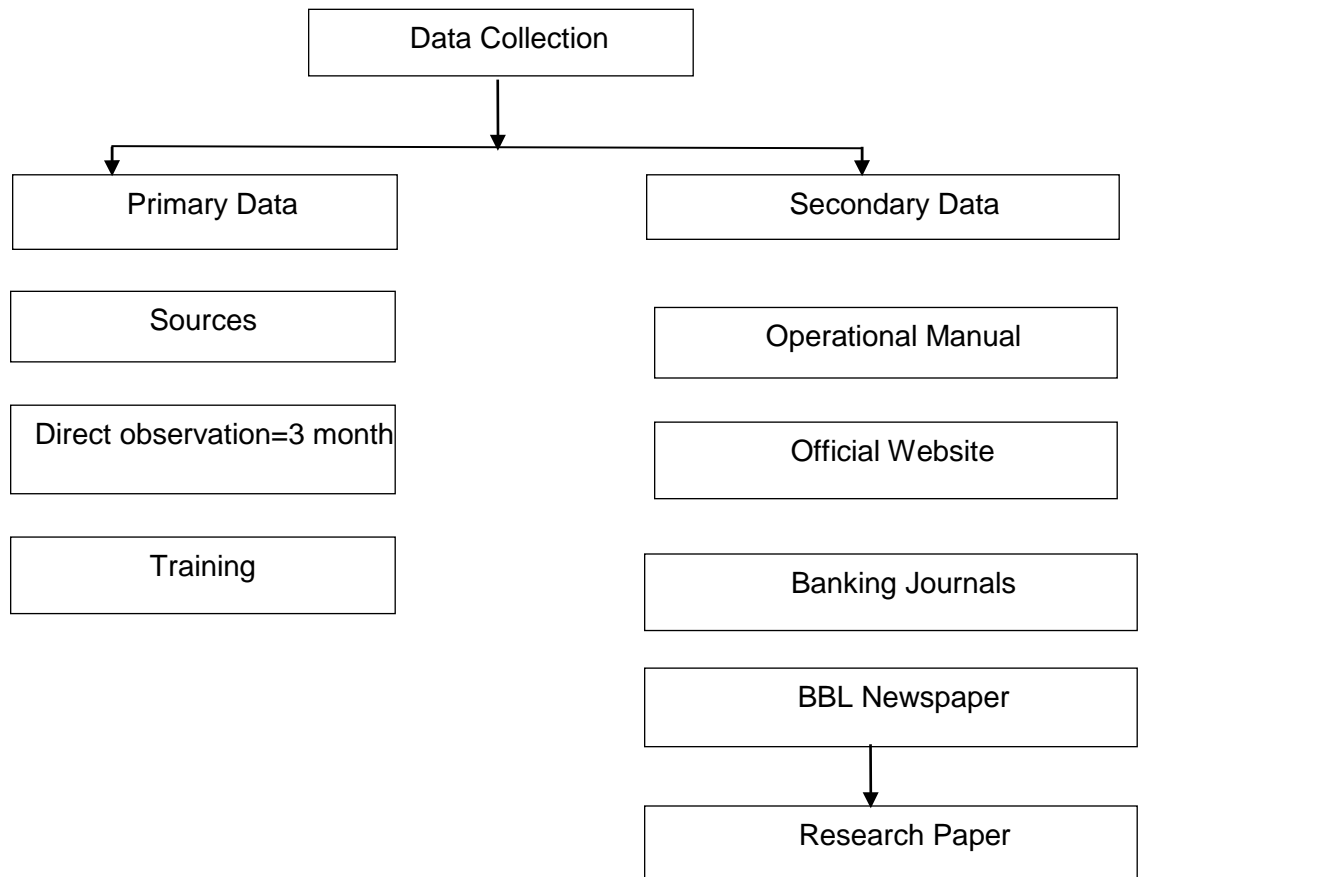
- To analyze the repayment behavior of the SME loan holder.
- To know SME loan recovery and process.

Specific Objectives

- ▶ To provide the specific service through the officer
- ▶ courage the entrepreneur to take this loan grow his business and contribute the economic growth .
- ▶ To focus the organization interest to give this loan
- ▶ To provide this credit card consumer can get slandered of living
- ▶ To provide reword based on performance

Methodology:

This data collect from the primary and the secondary sources and the structure and the unstructured data.



Limitations of the report:

- BRAC Bank authority do not give the all documents access to collect the data and this data collect from the internet annual report and the other sources

Chapter 1

Theoretical aspects of SME Banking

Define SME:

SME banking is the grow up our economic activity of the overall aspect it could be contribute of our national income that's the reason to provide sme loan and grow the small and medium entrepreneur.

Chapter-2

SME Banking: BRAC Bank

Target Segments for SME Financing:

S.L.	Sector
1	Agriculture and Agricultural Development items
2	Fishing and fishing business promotion
3	Hospitals and Clinics
4	IT related business
5	Transportation and Communication
6	Forestry and furniture
7	Construction business and housing development
8	Leather marketing and leather goods
9	Knitwear and readymade garments
10	Plastic and other synthetics
11	Entertainment
12	Photography
13	Hotel and tourism
14	Warehouse and container services
15	Printing and packaging
16	Gunning and Bailing

17	Pathological Laboratories
18	Cold Storage
19	Horticulture Flower growing and Marketing
20	Food and oil processing plants
21	Higher education and expertise knowledge society
22	Telecommunication

Table# 3: Target Segments for SME Financing

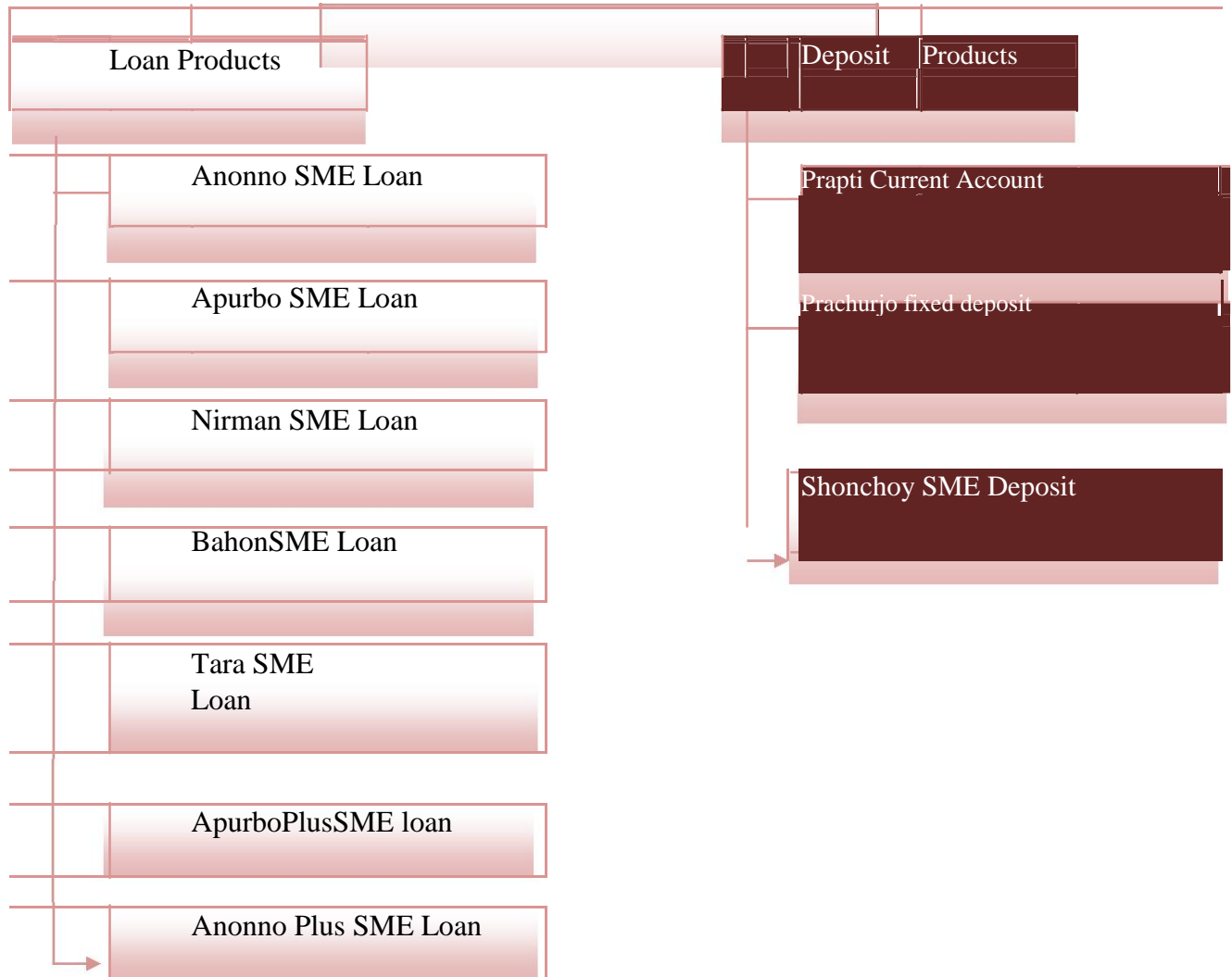
Highlights of SME Banking Division:

BRAC Bank, being the youngest bank, took a step to break away from usual tradition and tapped into the true suburb entrepreneurial initiatives. With over 4,71,618 loans disbursed till 2017, BRAC Bank is country's largest SME financier that has made more than 410,817 dreams come true! The performance for SME banking

Number of SME Offices	: 2700
Number of Staff	: 2,104
No. of Loan disbursed	: 4,71,618
Disbursement (in million BDT)	: 2,91,871
No. of Outstanding Account	: 120,685
Amount of Deposit (in million BDT)	: 26,745

Products of SME Banking:

Brac bank are offering this kind of products.



Chapter-3

BRAC Bank: SME Loan Products and Procedures

SME Products Name

- 1. Angkur**
- 2. Anonno**
- 3. Anonno Plus**
- 4. Apurobo**
- 5. Apurbo plus**
- 6. Bahon**
- 7. Tara**

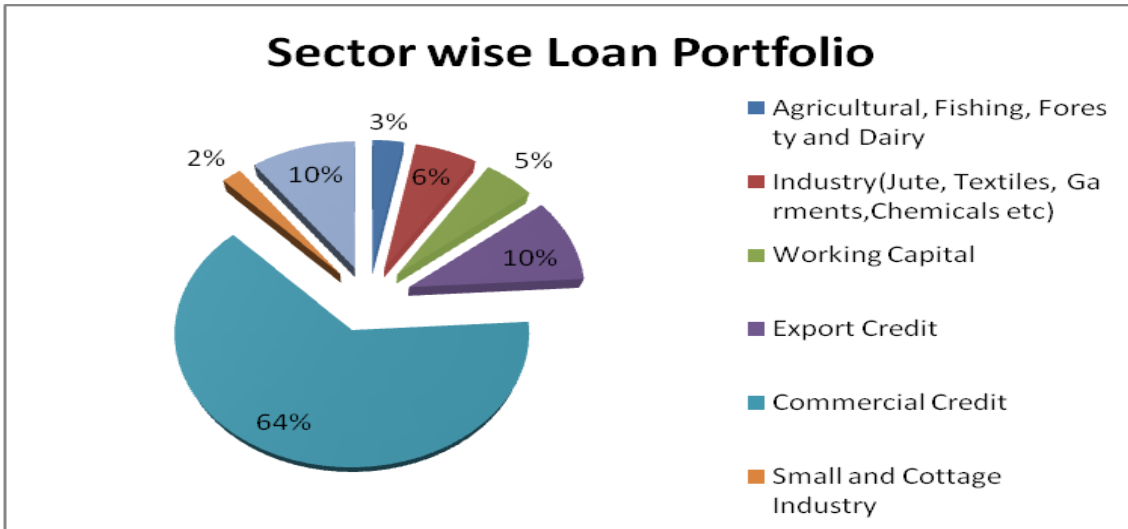
Total Loans and Advances:

Brac bank loan and advances are given below:

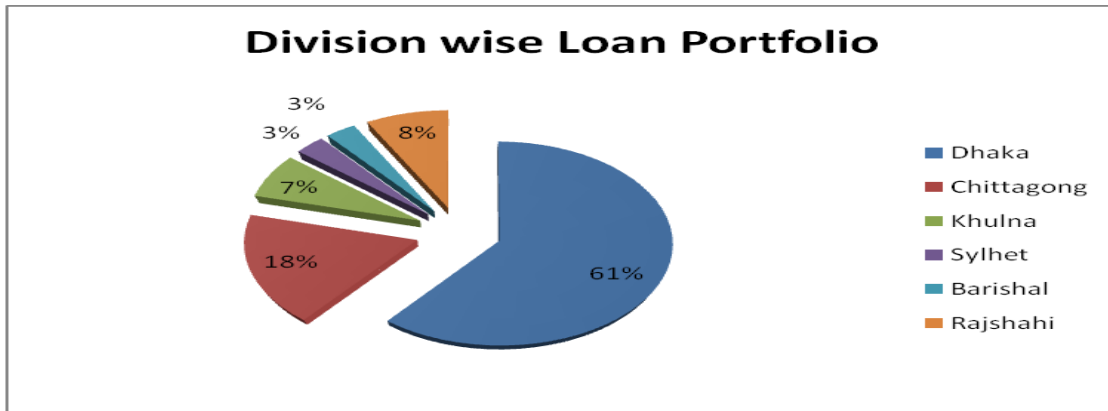
Loans and Advances(Taka in Millions)	
Year	Amount
2012	5820
2013	11791
2014	19557
2015	32461
2016	52677

Table 5: Total Loan and Advance (Taka in millions)

SME this sector is the core part for the brac bank ltd and sector wise given bello:



Graph 1: Sector wise loan portfolio.

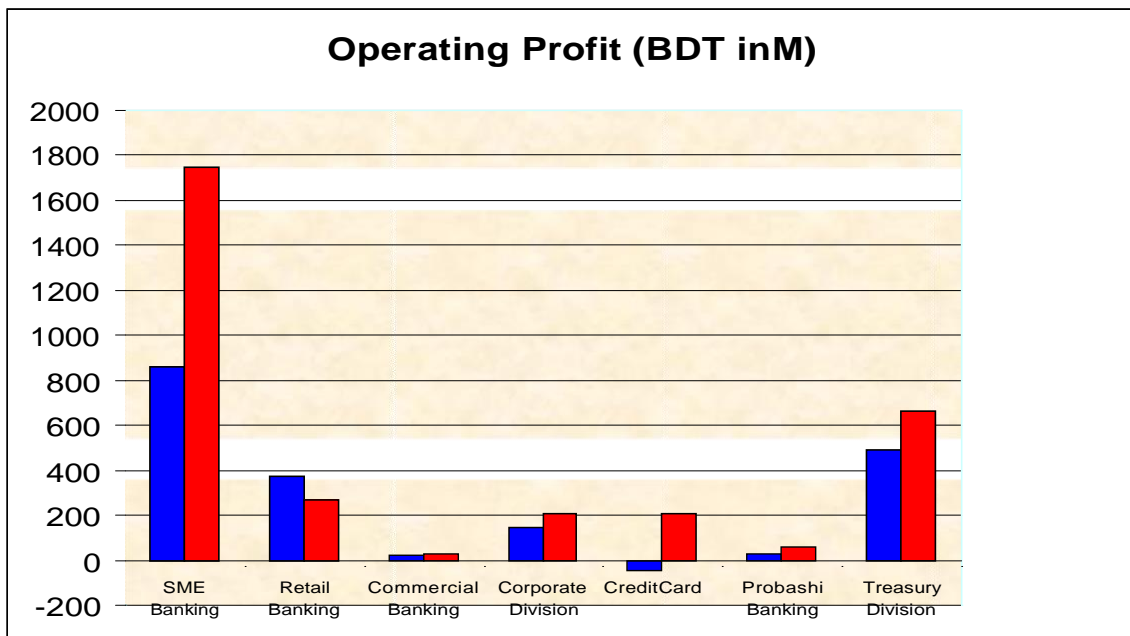


Graph 2: Division wise portfolio.

This pie chart show the area of the loan and advance policy of brac bank.

Operating Profit from SME:

BRAC Bank’s operating profit increases in every year at a double digit growth. In 2013 it was near 800 million but in 2014 it increases 63%, near to 1800 million. Operating Profile is bellow



Graph 3: Operating Profit (BDT in Millions.

CIB report from Bangladesh Bank: In the CIB report Bangladesh Bank use any of the following reference no:

- **NIL:** if the client has no loan facility in any bank or any financial institution then BB (Bangladesh Bank) use 'NIL' in the report
- **UC (Unclassified):** if the client has any loan facility in any bank or financial institution and if the installment due 0 to 5.99 then BB use UC in the report
- **SS (Substandard):** if the client has any loan facility in any bank or financial institution and if the installment due 6 to 11.99 then BB use SS in the report
- **DF (Doubtful):** if the client has any loan facility in any bank or financial institution and if the installment due 12 to 17.99 then BB use DF in the report **BL (Bad lose):** if the client has any loan facility in any bank or financial institution and if the installment due 18 or above then BB uses BL in the report.

Charge documents checking: The loan administration division checks all charge documents.

Following charge documents are checked:

- Money receipt (Risk fund).
- Sanction letter.
- Demand promising note (With stamp of Tk 20/=) Letter of arrangement (With stamp of Tk 150/=) General loan agreement (With stamp of Tk 150/=) Letter of undertaken (With stamp of Tk 150/=) Letter of stocks and goods (With stamp of Tk150/=)
- Letter of hypothecation book debt and receivable (With stamp of Tk 150/=)
- Letter of disbursement
- Photocopy of trade license (attested by RO)
- Insurance (Original copy)
- Blank claue with signature (one cheque for full amount and others same as no of installment on Favor of BRAC bank, no date, no amount)
- Two guarantors (one must be Spouse/parents)
- If the loan provide for purchase of fixed assets or machineries and if the loan amount is over Tk 50,000/= then the stamp of a certain amount is require)

Client disbursement amount given through this bank

- BRAC Bank Limited
- The City Bank Limited
- Janata Bank
- Bangladesh Krishi Bank
- PubaliBank
- Agrani Bank

- Security details set-up
- Guarantor details set-up
- Loan other details set-up

- **Loan details MBS entry:** The loan administration department alert for the mbs entry if its has any mistake than the officer has the responsibility cause they have individual id.
- **Document stamp cancellation:** The loan file all stamps has been cancels because if the customer default than this documents show for the legal action.

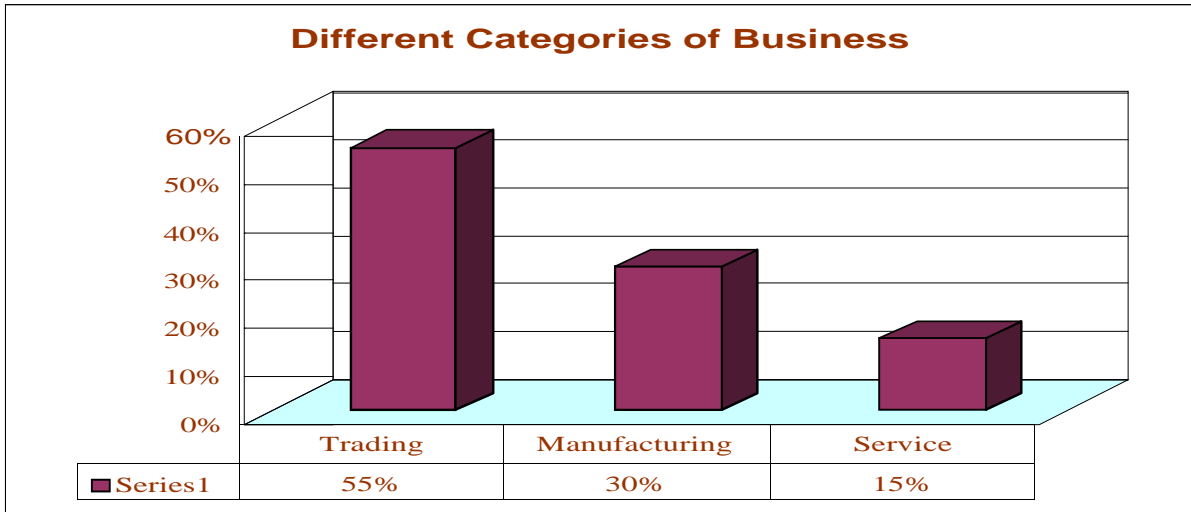
Chapter-4

Analysis, Result and Discussion

Analysis:

Different categories of SME business

In our county have this type of business most of the trading and manufacturing and few are the service business.



Business categories of BBL

The loan area preference of BRAC Bank

Brac bank preferred to the near of the branches customer

Age limit of the BBL clients

This business people age are near about 21 to 65

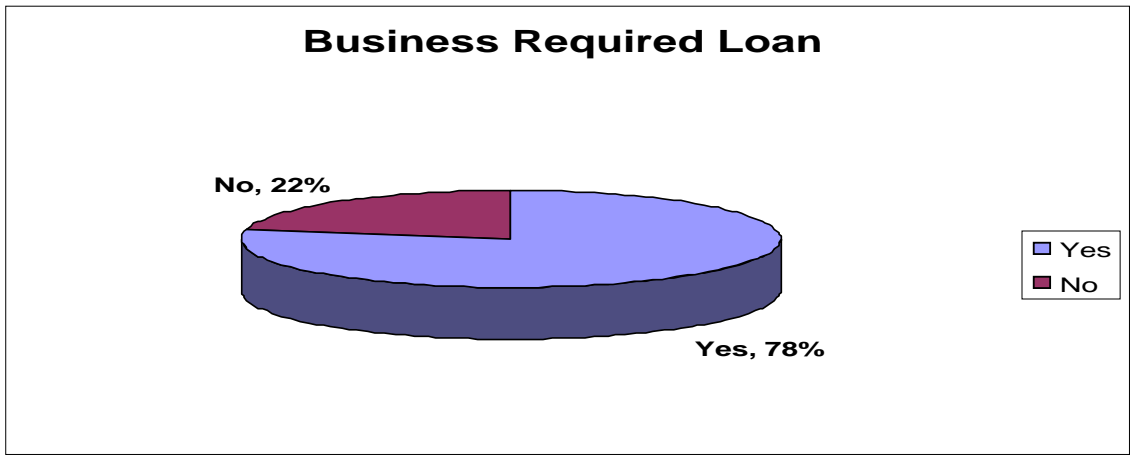
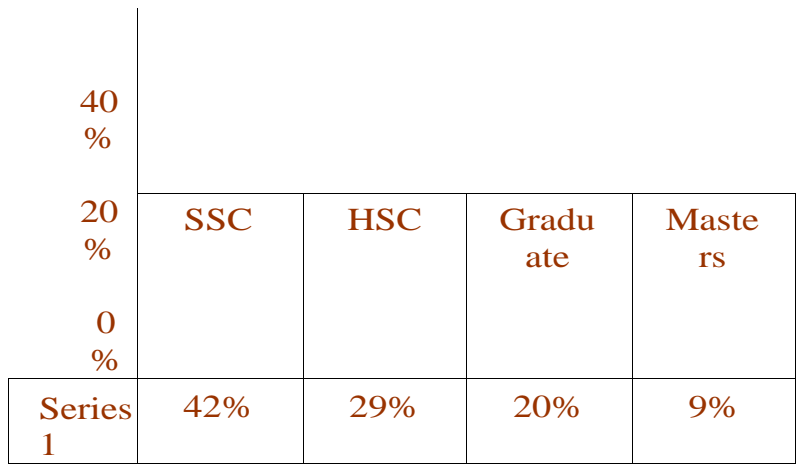
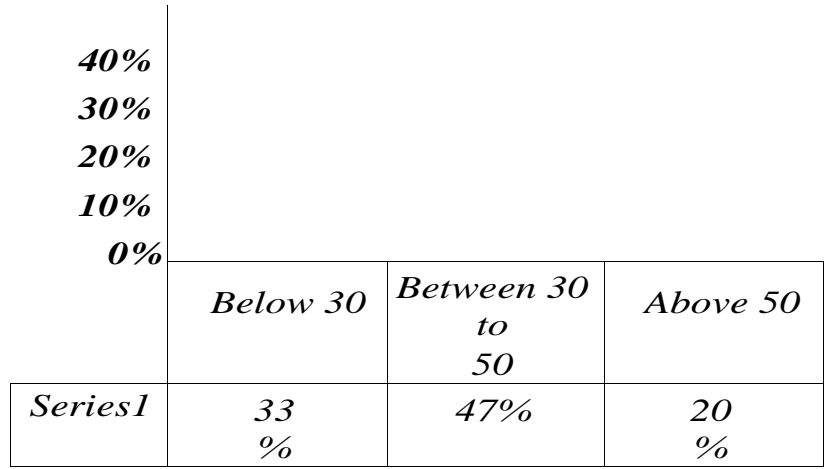


Figure 7: Business required any loans of BBL

Purpose of SME loans ofBBL

According to the survey, it can analyze that most clients want loan to meet their working capital requirements. In our country most clients carry out trading business rather than manufacturing business. Few clients demand manufacturing loans to purchase of fixed assets. In this case clients require medium loans like 15-30 lacs for purchasing fixed assets.

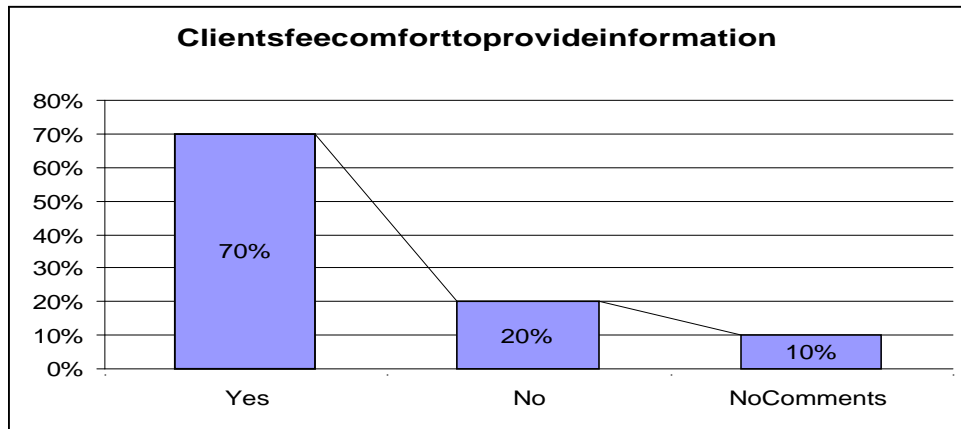
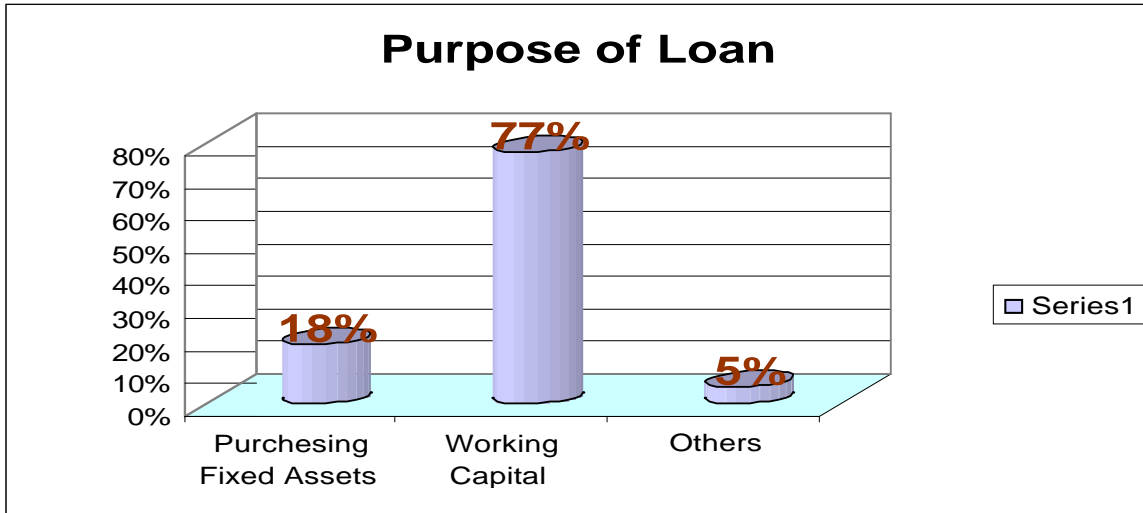


Figure 14: Rate of information collection

SWOT Analysis:

SWOT analysis is an important tool for the company to analyze the performance of the company through evaluating this performance and this SWOT analysis gives the strength, weakness, opportunities and the threats.

Strengths

Company reputation: Brac bank has already achieved the reputation in our country for the beginning new comer.

Sponsors: Brac bank has strong sponsors that are given by the all strong.

Top Management: Brac bank top management is the main strength of the bank because the management provides the most important part of the bank.

Facilities and equipment: BBL has all facilities that provide the part of strengths.

Impressive branches: This creates a positive image in the customer mind that take a good initiative.

Interactive corporate culture: BBL has an interactive corporate culture. Top to bottom that all have a communication right to others.

Teamwork at mid-level and lower level: Top to bottom all have the communication access that's the another strength.

Weaknesses

Advertising and promotion of SME loan: Brac bank not advertise there product to the customer that's the reason.

NGO name (BRAC): most of the people thing about the bank is not a bank its ngo..

Low remuneration package: This is the vital impact for the bank cause this policy not maintain.

Opportunities

Diversification: BBL has diversification policy that provide good sign.

ATM: brac bank has the opportunity to launch atm booths.

Threats

Multinational banks Brac Bank has the threats of the multinational bank threats .

Upcoming banks: if this bank not provide the good sign to the customer that could not take any step for upcoming bank.

Contemporary banks: The contemporary banks of BBL such as city bank Dutch Bangla and Estern Bank major rivals. Prime bank and other banks are carrying out aggressive campaign to attract lucrative clients as well as big time depositors.

Chapter-5

Findings, Recommendations & Conclusion

Findings:

Remove complexity in loan disbursement process

The process of loan disbursement is a lengthy process. There are many steps undertaken in the process. Mainly there are three steps. They are pre disbursement, disbursement and post disbursement process. Each of those steps can be and should be made easier and simpler. Then the customer will be more interested to get the service.

Quickening cash disbursement

The speed of the cash disbursement is not up to the mark.

Remove or reducing the requirements of eligibility

There are many requirements to be satisfied by the client to get the loan. So, many potential customers are remaining out of the loan service which is contradictory with the vision mission of the organization.

Door to door marketing activities

To ensure as many people as possible will be benefitted from loan service there should be an extensive door to door marketing.

Involvement of local authority and leaders:

To make the whole process smooth and to get support from the local authority and leaders it is important to involve them in the process.

Flexibility in loan recovery procedure

The loan recovery procedure should be flexible. The repayment system, Installment entry process, checking and problem solving process should be smooth, flexible and flawless to ensure the efficiency of the whole process.

Focus on relationship based and customer oriented marketing

Long term relationship should be made with the customer. And marketing should be customer oriented.

Flexibility in loan securities:

Loan securities should be more flexible and security requirement should be less strict to ensure the involvement of more people in the loan service.

Recommendations

The following suggestions are put forward for present and future sustainability of the SME of BRAC Bank Limited:

- Age, experience, income, past loan history of the entrepreneurs should be given more priority and analyzed properly before lending. Because this variables have major effects on loan recovery.
- BBL should initiate some promotional activates and advertise heavily to inform the general public about their SME products and also inform the people that BBL is a bank like other bank, it is not an NGO.
- Features of SME products should be designed more attractively compared to the competitors to lower the level of risk and attract more potential customer. To make this happens BBL should research competitor's products periodically. Bottlenecks or barriers should be removed by taking advanced step in mode of disbursement, charge documents and approvalprocess.
- Loan facility parameter should be expanded so that all the people can get loan according to their needs.
- Business Power for sanctioning loans and advances can be increased at branch level.
- RO's are the major media between bank and customers. They have given certain no of customer targets in a month. To fulfill their target they don't analyze borrowers' history, as a result no of defaulter increasing day by day. Also RO's are not satisfied with compensation package provided to them. So bank should take some corrective actions about these matters.

More SME service center need to be added to fully take the advantage of the huge potential customer segments.

Conclusion

Brac bank limited is a modern bank in our country this bank contribute in our economic growth through the industrial development. Brac bank contribute huge employment challenge to the educative youth. This bank provide the SME loan to the small and medium enterprise to grow up and through this service our country economic growth is much high.

References:

1. Annual Report 2018, *BRAC Bank Limited*, viewed 24th August 2018 < <http://www.bracbank.com/financialstatement/Annual%20Report%202018.pdf>>.
2. Annual Report 2018, *BRAC Bank Limited*, viewed 3rd September 2018 < http://www.bracbank.com/financialstatement/Annual%20Report_Final_WEB.pdf>.
3. SME Department of BRAC Bank limited.
4. Discussion with supervisor and colleagues during internship