



Daffodil
International
University

INTERNSHIP REPORT

ON

“SME loan lending activities &
Reconciliation Process of BRAC Bank
Limited”



Internship Report

On

“SME loan lending activities & Reconciliation Process of BRAC Bank Limited”

SUPERVISED BY

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Program: BBA

Major in Finance

Faculty of Business & Economics

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Date of Submission: 26th August, 2014



**Dedicated
To
My Parents**

DECLARATION

I, hereby declare that the internship report “**SME loan lending activities & Reconciliation Process of BRAC Bank Limited.(BBL)**” embodies the results of my own effort after the completion of three months works at Niketon, Anik Tower, Head office of BRAC Bank Ltd.; perused under the supervisor of **Sayedul Anam** Senior lecturer, Faculty of Business & Economics, Daffodil International University (DIU).

I further affirm that the work reported in this internship report is my own work.

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CETIFICATE OF SUPERVISOR

This is to certify that the internship report entitled “**SME loan lending activities & Reconciliation Process of BRAC Bank Limited.(BBL)**” is prepared by Abdul Kader as a partial fulfilment of the requirement of BBA, from the Business Administration Department of Daffodil International University.

The report has been prepared under my guidance & his record of a genuine work carried out successfully. In preparing this report, he worked very hard and presented a good picture of the concerned organization. He possesses a good moral character & pleasing personality.

I wish him for success at every step of his life.

Saydul Anam

Senior Lecturer,

Faculty of Business & Economics

Daffodil International University (DIU)

LETTER OF TRANSMITTAL

August 26, 2014

Saydul Anam

Senior Lecturer

Faculty of Business & Economics

Daffodil International University (DIU)

Subject: Submission of Internship Report

Dear Sir

This is my pleasure to submit this report on “**SME loan lending activities & Reconciliation Process of BRAC Bank Limited**”. I would like to thank you for your suggestions and help in carrying out this study.

I have tried my level best to follow your guidelines. I am very much glad that you have given me the opportunity to prepare this report and hope that this report will meet the required standards.

Md Abdul Kader

ID NO: 103-11-1725

PREFACE

This report is the outcome of my internship under the BBA program of Business Administration Department of the Daffodil International University conducted at BRAC Bank Ltd, Head office at Niketon, Dhaka, during the period of three month effective from April 15, 2014 to July 15, 2014. The objective was to adopt with the practical implementation of knowledge gathered in the theoretical aspects of the practical life.

It is my pleasure to submit my internship report entitled “**SME loan lending activities & Reconciliation Process of BRAC Bank Limited**”. While preparing the report I have tried to gather as much information and data as possible to enrich this report. I believe that it was a tremendous experience.

This report is not free from limitation. There might have problems regarding lack & limitation in some aspect.

ACKNOWLEDGEMENT

It is a great pleasure to prepare internship paper on “**SME loan lending activities & Reconciliation Process of BRAC Bank Limited**” in the head office of BRAC Bank Limited. First of all, all glories go to almighty Allah for helping me to move on the right directions that help me to complete my internship report. Preparation of this report received assistance, guidance and took valuable time of many important and high-status personalities. I am highly thankful to my supervisor, **Saydul Anam, Senior Lecturer, Faculty of Business & Economics, Daffodil International University**; for providing me all the guidance and support that I needed mostly during the course of Internship.

I would also like to express my sincere gratitude to **Mr. Nazrul Islam Talukder**, Associate Manager, Business Relationship & Support Department (BRS) of BRAC Bank Ltd. & **Mr. Taj Uddin Ahamed**, Associate Manager, Business Relationship & Support Department (BRS) of BRAC Bank Ltd. and to all the personnel of BRAC Bank Head Office, who cooperated and helped me in collecting information for the improvement of my report.

I am gratefully acknowledged the time and efforts that the above-mentioned persons have freely shared. Their suggestions and comments to make this report a good one & their help was really a great source of spirit for me.

Finally I am grateful to all the cooperative people of the Business Relationship & Support department of BRAC bank limited.

EXECUTIVE SUMMARY

Small & Medium Enterprises (SMEs) are important to almost all economies in the world, particularly to the developing countries as they face major employment and income distribution challenges. Through the development of this sector, a nation can change its fate. This report is all about the SME loan processing system of the country's largest and world's 4th largest SME bank, BRAC Bank Limited.

The Internship report contains 6 chapters, and each chapter is described in brief below:

Chapter 1: A short introduction. Here I have focused on the importance of internship report, specified the objectives of the report, the methodology that I have used to prepare this report.

Chapter 2: This chapter contains the overview of the bank. Here I have present a very short description. This chapter covers the historical background of the BBL, its management structures, its vision missions and Objectives, divisions, subsidiaries along with the bank and excellent performances.

Chapter 3: Here I have focused on SME activities, products, the terms and conditions of giving SME loan, enterprise selection criteria and documentation. After that talked about the procedure of SME loan where I delineated the sanction, disbursement of SME loan.

Chapter 4: Introduction, Reconciliation process flowchart, Description of Process Flow Chart. Analysis & Adjustment.

Chapter 5: SWOT Analysis.

Chapter 6: This is the last part of my report. Here I have described the findings, recommendation and conclusion.

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CHAPTER- ONE

INTRODUCTION

1.1 INTRODUCTION

All over the world the dimension of Banking has been changing rapidly due to Deregulation's, Technological innovation and Globalization. Banking in Bangladesh has to keep go at good with the global change. Now Banks must competitive in the market place both with local institutions as well as foreign ones. To survive and compete banking world, two important requirements is development of appropriate financial infrastructure by the central bank and development of "professionalism" in the sense of developing an appropriate manpower structure and its expertise. To introduce skilled people, only theoretical knowledge in the field of banking studies is not sufficient. An academic course of the study has the greatest value when it has practical application in real life situation. That's reason I need proper application of my knowledge to get some benefit from my theoretical knowledge make it more tactful.

In a simple word, Excellence is the Capacity of producing desired result. Excellence of customer is, how a customer perceive service, how they assess whether they have not experienced quality services and whether they are satisfied.

When it refers Excellence of customer, we assume that the dimensions of services and the ways in which customer evaluate services are similar where the customer is internal& external of the organization.

1.2 Background of the study

This report is one of the major parts of BBA Program offered Daffodil International University. In today's world, education is not just limited to books and classrooms. Education now-a-days is understanding the real world and applying knowledge and education for the betterment of the society. So the Internships such a way that helps to apply the knowledge and understanding of the courses and to use them in a practical field. BRAC BANK Limited gives me opportunity to be engaged there to gather

practical experience about the real business world and to observe different practical aspects of education.

Daffodil International University has goals to produce world-class graduates within the local environment, with knowledge to provide leadership in enterprise, public service . Internship of Department of Management Studies is a step towards fulfilling this commitment by giving the students an opportunity to get ready for the real world before they enter into it. A business report is defined as a orderly, objective communication of information that serves some business purpose. Therefore, in order to serve this business purpose a topic of the report has to be clearly stated. The topic that has been defined for studying in this report is in infinitive phase. It means that there are further scopes to improve and study on the topics that are discussed in this report. The topic has been defined as **“SME Lone lending activities & Reconciliation process.”**

I was authorized to prepare a report on central function of BRAC Bank Ltd. for partial fulfillment of my course requirement. My department supervisor Sayedul Anam, Department of Business Administration, Daffodil International University has approved the topic and authorized me to prepare this report.

1.3Origin of the Report

Internship experience plays a vital role for every student to implement their theoretical knowledge and get a practical knowledge from any organization. A student can implement this internship experience in his future work area. BRAC BANK Limited gives me the opportunity for gathering practical experience and preparation of the report. Finally prepared this report under the supervision of Sayedul Anam, Senior Lecturer, Department of Business Administration Daffodil International University.

1.4 Objective of the Report

The objective of the report is two parts, one is board & other is specific objectives.

Broad Objectives

- To know SME loan lending activities & study of the reconciliation process.

Specific Objectives

- To find out basic appraisal of SME loan.
- To study the enterprise selection criteria to provide SME loan.
- To discuss the terms and conditions of SME loans.
- To analysis the disbursement and recovery procedures of SME loans.
- To have an idea the work process and monitoring system of Central Support, Operation Help Desk and Reconciliation.
- To make some recommendations on the basis of relevant findings.

1.5 Methodology

To perform the study, the data sources were to be identified and collected, to be classified, analyzed, interpreted and presented in a systematic manner and key points were to be found out. The overall process of methodology has been given below-

Nature of the study

This is a descriptive type of research that's why I would mainly take an analytical approach on my report. Both primary and secondary sources have been used for data collection.

Sources of data

Primary data sources

The primary sources of data are given now - All officers, executives and customers of BRAC BANK LTD, Head office as well as all employees and customers of unit office located in mohammadpur, Dhaka.

Methods of Primary data collection

- Direct observation & Interview with Customer relationship officers (CROs) and customers.
- Visit in different unit offices located in different districts in Bangladesh Discuss with Executives, officers.

Target population: The target population of the study is all officers, executives and customers of BRAC BANK LTD.

Sample size:

From Head Office

- 5 officers, 10 executives Head Offices & 10 customers of Head Office.

From Unit Office

- All customer relationship officers (21 officers) of unit offices.
- 7 Unit In charge, 3 Zonal managers & 7 customers.

Sampling method: Convenience sampling method has been used to select sample in study.

Secondary data sources: The secondary data sources are given below-

- Annual report of Brac Bank Limited, Official Website & Relevant books

1.6 Scope of the Study

Scope of the study is quite clear. Since Asset Operations Department is dealing with all types of loan activities in the bank, opportunities are there to learn other aspects of SME matters.

- Concept & importance of SME and its impact in overall economy of Bangladesh
- Entrepreneurship development situation through SME banking
- Virtual banking concept through SME banking

1.7 Limitations

I have faced the following barriers while preparing the report:

- Data from BRAC Bank Ltd., Head Office is highly confidential for the outside people and I had no authority to use the core banking software (Finacle).
- BRAC Bank Ltd. has very recently migrated from Millennium Banking System to Finacle. That's why all the employees are very busy with their works; sometimes I had to wait more than one week for a piece of information. So, I could get few more time to spend in collecting data for preparing my internship report.
- When I collected data from unit offices I had to face difficulty because the Zonal managers were not friendly.

CHAPTER – TWO

BRAC BANK Limited at a Glance

2.1 Background of BRAC BANK Limited

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.

2.1	Background of BRAC BANK Limited.
2.2	Vision of the Bank
2.3	Mission of the Bank
2.4	Objective of the Bank
2.5	Products and services
2.6	Department of bank
2.7	Business Units
2.8	Management of BRAC BANK LIMITED

company on 20 May 1999 under the Companies Act, 1994. BRAC Bank will be a unique organization in Bangladesh. The primary objective of the Bank is to provide all kinds of banking business. At the very beginning the Bank faced some legal obligation because the High Court of Bangladesh suspended activity of the Bank and it could fail to start its operations till 03 June 2001. Eventually, the judgment of the High Court was set aside and dismissed by the Appellate Division of the Supreme Court on 04 June 2001 and the Bank has started its operations from July 04, 2001.

The importance of financial intermediaries in the development of the overall economy of country cannot be described in short. From the inception of the civilization the banking sector dominate the economic development of a country by mobilizing the saving from the general people and channeling those saving for investment and thus economic development and growth. In ancient time, the importance of commercial banks after the ravage of the liberation war to develop a better economy was severally needed and it is needed now and will be required in future also. In time-to-time Government of Bangladesh agreed to permit the private commercial banking in the country. BRAC bank will be knowledge-based organization where the BRAC Bank professionals will learn continuously from their customers and colleague's world wide to add value. It will work as a team, stretch, they will innovate and break barriers to serve customers and create customers loyalty through a value chain of responsive and professional delivery. BRAC Bank will do this by increasing access to economic opportunities for all individuals and business in Bangladesh with a special focus on currently under-served enterprises and households across the rural – urban spectrum. Increasing the ability of under – served individuals and enterprises to build their asset base and access market opportunities will increase the economic well being for all Bangladeshis at the same time, this will contribute significantly to the profitability of the Bank. BRAC Bank intends to set standards as the Market leader in Bangladesh. It will produce earnings and pay out dividends that can support the activities of BRAC, the Bank's major shareholder. Development and poverty alleviation on a countrywide basis needs mass production, mass consumption and mass financing.

BRAC Bank goal is to provide mass financing to enable mass production and mass consumption, and thereby contribute to the development of Bangladesh. BRAC Bank intends to set standard as the market leader in Bangladesh by providing efficient, friendly and modern fully automated online service on a profitable basis aiming at offering commercial banking service to the customers' door around the country, BRAC Bank limited establishing branches.

This organization achieved customers' confidence immediately after its establishment. Within this short time the bank has been successful in positioning itself as progressive and dynamic financial institution in the country. It is now widely

SME loan lending activities & Reconciliation Process of BRAC Bank Limited

acclaimed by the business community, from small entrepreneur to big merchant and conglomerates, including top rated corporate and foreign investors, for modern and innovative ideas and financial solution. Thus within this short time it has been able to create an unique image for itself and earned significant solution in the banking sector of the country as a bank with a difference. The emergence of BRAC Bank Limited is an important event in the country’s financial sector at the inception of financial sector reform. The authorized capital of BBL is Tk. 1000 million and paid up capital of the same bank is Tk. 500 million.

Shareholders	Percent
BRAC	31.74%
International Finance Corporation	8.76%
Shore Cap International	9.50%
General Public through IPO	40%
Non-Residents Bangladeshi’s	5%
Mutual Funds	5%
Others	0.01%

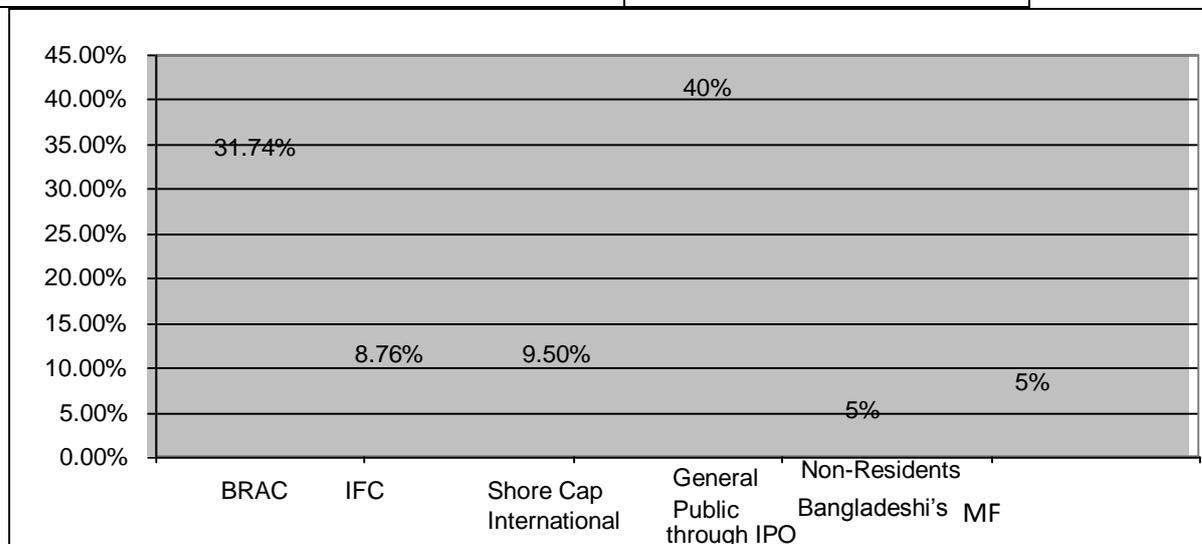


Fig-3.1 Shareholders of BRAC Bank Limited

A fully operational Commercial Bank, BRAC BANK LIMITED focuses on pursuing unexplored market niches in the Small and Medium Enterprise Business, which has remained largely untapped within the country. In the last five years of operation, the Bank has disbursed over BDT 410817.26 million in loans to nearly 220139 small and medium entrepreneurs in 2011. The management of the Bank believes that this sector of the economy can contribute the most to the rapid generation of employment in Bangladesh . The Bank's footprint has grown to 550 Touch pointr (SME Unit Office, SME Sales & Service Centers,SME Krishe Brances, and branches) 322 ATM booths, 31 cash deposit machines, 1558 POS terminals, 19 utility services bill payment booths, 1900 remittance delivery points across the country. In the years ahead BRAC BANK LIMITED expects to introduce many more services and products as well as add a wider network of SME unit offices.

2.2 Corporate 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".

2.3 Corporate Mission

- Sustained growth in 'small & Medium Enterprise' sector
- Continuous low cost deposit growth with controlled growth in Retained Assets
- Corporate Assets to be funded through self-liability mobilization. Growth in Assets through Syndications and Investment in faster growing sectors
- Continuous endeavor to increase fee based income
- Keep our Debt Charges at 2% to maintain a steady profitable growth
- Achieve efficient synergies between the bank's Branches, SME Unit Offices and BRAC field offices for delivery of Remittance and Bank's other products and services
- Manage various lines of business in a fully controlled environment with no compromise on service quality

2.4 Objective of the Bank

The objective of BRAC Bank Limited is specific and targeted to its vision and to position itself in the mindset of the people as a bank with difference. The objective of BRAC Bank Limited is as follows:

- ✓ Building a strong customer focus and relationship based on integrity, superior service.
- ✓ To creating an honest, open and enabling environment
- ✓ To value and respect people and make decisions based on merit
- ✓ To strive for profit, sound growth, base recognition and reward on performance
- ✓ To value the fact that they are the members of the BRAC family – committed to the creation of employment opportunities across Bangladesh.
- ✓ To work as a team to serve the best interest of our owners
- ✓ To relentless in pursuit of business innovation and improvement
- ✓ To establish, carry on and undertake all kinds of investment and financial business including underwriting, managing and distributing the issue of stocks, debentures, and other securities. To responsible, trustworthy and law-abiding in all that we do.
- ✓ To develop the standard of living of the limited income group by providing Consumer Credit. To finance the international trade both in import and export.
- ✓ To finance the industry, trade and commerce in both the conventional way and by offering customer friendly credit service.
- ✓ To encourage the new entrepreneurs for investment and thus to develop the country's industry sector and contribute to the economic development.

2.5 Products and services

The bank has wide range of Product line to suit the need of the people of all strata. In addition to convention product both Asset and liability sides the Bank offers special credit products for its customer. These are:

Consumer financing , Lease Financing, Small Loan, Festival Loan, Housing Loan, Long-term & Short term loan financing, Syndication, Syndication , Real Estate and Civil Constriction, SME and Agro Based.

Ancillary services:

- Brokerage House service under the central depository with membership of bourse
- Foreign Currency Remittance
- Representative service & Consultancy.

2.6 Departments of BRAC Bank Ltd

If the jobs are not organized according to their interrelationship and are not allocated in a particular department it would be very difficult to control the system effectively. If the departmentalization is not fitted for the particular works there would be haphazard situation and the efficiency of particular department will decline. BRAC Bank Ltd. has does this work properly. There are 20 departments in BRAC Bank Ltd. These departments are as follows:

1. Human Resources Department
2. Financial Administration Department
3. Central Support, operation help desk and reconciliation
4. Credit Division
5. SME Division
6. Internal Control & Compliance Department
7. Marketing & Product Development
8. Impaired Asset Management
9. Remittance Operation Department
10. Treasury Front
11. Treasury Back
12. General Infrastructure Service
13. Information Technology Department
14. Customer Service Delivery
15. Cards Division
16. Call Center
17. Cash Management
18. Secured Remittance department
19. Women Entrepreneur Cell
20. Payment Service

2.7 Wings of BRAC Bank Ltd

There are five different business units generating business BRAC BANK Limited:

1. Small & Medium Enterprise (SME)
2. Corporate Banking
3. Retail Banking
4. Treasury
5. Remittance Services

2.8 Management of BRAC Bank Limited

Boards of directors are the sole authority to take decision about the affairs of the business. Now there are 5 directors in the management of the bank. All the directors have good academic background and have huge experience in business. Mr. Fazle Hasan Abed is the chairperson of the bank. The board of directors holds meetings on a regular basis. The current management teams and board of directors' name are given in the following table:

Board of Directors of BRAC Bank Limited

The Board of Directors of BRAC Bank Limited includes:

Name	Designation
Sr. Fazle Hasan Abed	Chairman
Mr. Mark A.Coffey (Nominated By ShoreCap International Limited)	Director
Ms. Nihad Kabir	Director
Ms. Tamara Hasan Abed	Director
Mr. Shib Narayan Kairy	Director & Chairman of Audit Committee

SME loan lending activities & Reconciliation Process of BRAC Bank Limited

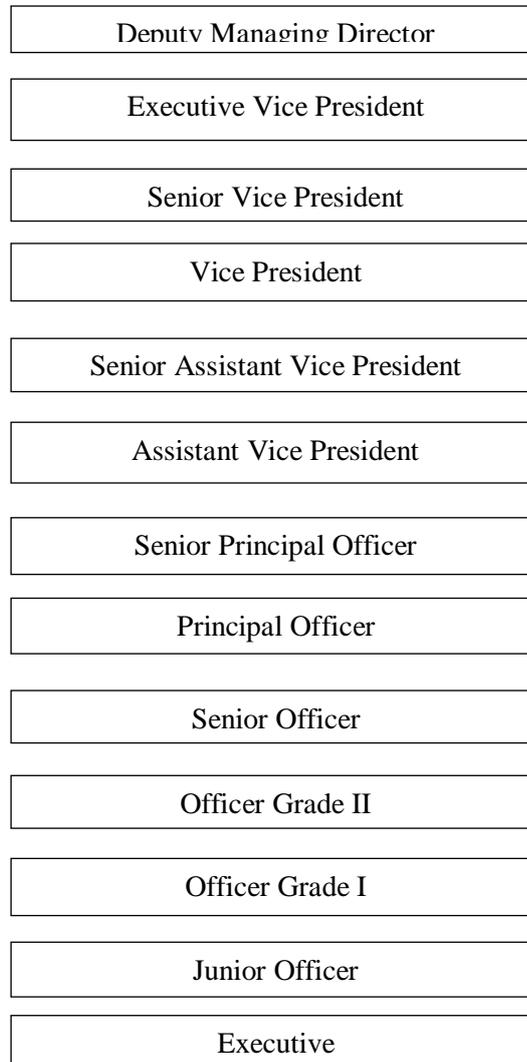
Syed Mahbubur Rahman	Managing Director & CEO
Zahida Ispahani	Director

Members of BRAC Bank Limited Management Committee

Name	Designation
Mr. Syed Mahbubur Rahman	Managing Director & CEO
Mr. Firoz Ahmed Khan	Head of Retail Banking
Mr. Nabil Mustafizur Rahman	Chief Credit Officer
Mr. Syed Faridul Islam	Head of Risk Management
Mr. Rais Uddin Ahmad	Company Secretary & Head of Legal, Regulatory & Internal Control
Ms. Tahniyat Ahmed Karim	Head of Human Resources Division
Mr. Shah Alam Bhuiyan	Head of Operations
Mr. Md. Sarwar Ahmed	Head of Special Asset Management(SAM) SME & Retail Banking.
Abdur Rahman	Head of SME Banking
Mr. Zeeshan Kingshuk Huq	Head of Communion &Service Quality
Nawed Iqbal	Chif Technology Officer
Mahmoodun Nabi Chowdhury	Head of Corporate Banking
Md. Shaheen Iqbal	Acting Head of Treasury & Financial Institutions and Probashi Banking
Mohammad Mamdudur Rashid	Deputy Managing Director

Orgination Structure

Management Hierarchy



CHAPTER – THREE

SME Loan Activities of BRAC BANK LIMITED

3.1 About Small & Medium Enterprise (SME)

The most valuable natural resource of Bangladesh is its people. As a nation we struggled for our independence and now the attainment of economic uplift is the main goal. Micro lenders are working here in the financial field, providing very small amount and on the other hand regular commercial banks have been providing bigger amount of loans to larger industries and trading organizations. But the small and medium entrepreneurs were overlooked. This missing middle group is the small but striving entrepreneurs, who because of lack of fund cannot pursue their financial uplift, as they have no property to provide as equity to the commercial banks. With this end in view-BRAC Bank was opened to serve these small but hard working entrepreneurs with double bottom line vision. As a socially responsible bank, BRAC Bank wants to see the emancipation of grass-roots level to their economic height and also to make profit by serving the interest of missing middle groups. 50% of its total portfolio usually collected from urban areas, are channeled to support these entrepreneurs who in future will become the potential strength of our economy. BRAC Bank is the market leader in giving loans to Small and Medium Entrepreneurs.

BRAC BANK LIMITED :

Number of zonal office	67
Number of Unit offices	429
Number of Staff	8000+
No of Loan disbursed (cumulative)	200,851
Cumulative Disbursement (in million BDT)	395,930
No. of outstanding Account	120685
Portfolio in amount (in million BDT)	49302
Amount of Deposit (in million BDT)	16664
Employment Generation (in millions)	1

3.2 Reasons of SME Banking

The main focus of BRAC Bank is to develop human and economic position of the country. Its function is not limited only to providing and recovering of loan. But also try to develop economy of a country. So reasons for this program from the viewpoint of BRAC Bank Ltd. are:

Support Small and Medium Enterprise: To support small and medium enterprise, which requires not more than BDT 30 lacs. But in the market, small and medium entrepreneurs do not have easy access to get loans from the commercial banks/ financial institutions. But BRAC Bank Ltd. Provides loans ranges between BDT 3 to 8 lacs without any kind of mortgage.

Economic Development: Economic development of a country largely depends on the small and medium sized enterprises. Such as, if we analyze the development history of Japan, the development of small & medium size enterprises expedite the development of that country.

Employment Generation: To create employment opportunities in the market. The bank generating employment opportunities by two ways: Firstly, by providing loan to the small enterprises. Secondly, small and medium enterprise (SME) program requires educated and energetic people to provide support to entrepreneurs.

Profit Making: SME program is a new dimensional banking system in the banking world. Most of the CROs are providing door-to-door services to the entrepreneurs.

Encourage Manufacturing: The focus of BRAC Bank Ltd. is to encourage manufacturing by the entrepreneurs who produce by purchasing various types of materials.

Spread the Experience: Another reason of BRAC Bank Ltd. is to spread the knowledge on the importance of SME banking regarding various businesses. The customer service officer shares their knowledge from various businesses and tries to help the entrepreneurs who have shortage of the gathered knowledge.

3.3 SME Banking System

- Every SME unit office will have a current account with a designate bank in the area of a unit office. This bank account will be opened and operated by SME head office.
- To meet petty expense such as stationary, entertainment and other incidental expense, all unit office will be allowed petty cash of BDT 2,000.
- The cheque of this petty cash will be issued from SME head office in the beginning of the month. All vouchers of relating expenses send to the accounts from SME head office
- All the clients must open their account with the same bank account on the same day after receiving those from the borrowers, who should given a received as prescribed
- Cheques should be deposited to the SME unit office bank account on the same day after receiving those from the borrowers, who should given a receipt as prescribed
- Any loan installment credit should be transferred to the SME head office account in Gulshan, Dhaka on the same day as per agreement with bank
- Every CRO should have an individual account in the same bank branch for their personal use and to receive their salaries and other benefits
- All the financial accounting entries will be passed at the SME head office and will maintain separately on the basis of the unit office.

SME Products of BRAC BANK LIMITED

Product	Description
Anonno	Loan up to BDT 10 lac without any security for small Business
Durjoy	Unsecured loan upto BDT 25 lac for compertively urban business
Prothoma	Loan upto 10 lac without any collatral at 10% interest
Prapti	Current account with interest upto 4% p.a. on daily balance
Apurbo	Secured loan upto BDT 10 million
Shokti	Partially Secured loan upto BDT 10 million
Shohoj	Secured loan against FDR DPS & WEDB

SME loan lending activities & Reconciliation Process of BRAC Bank Limited

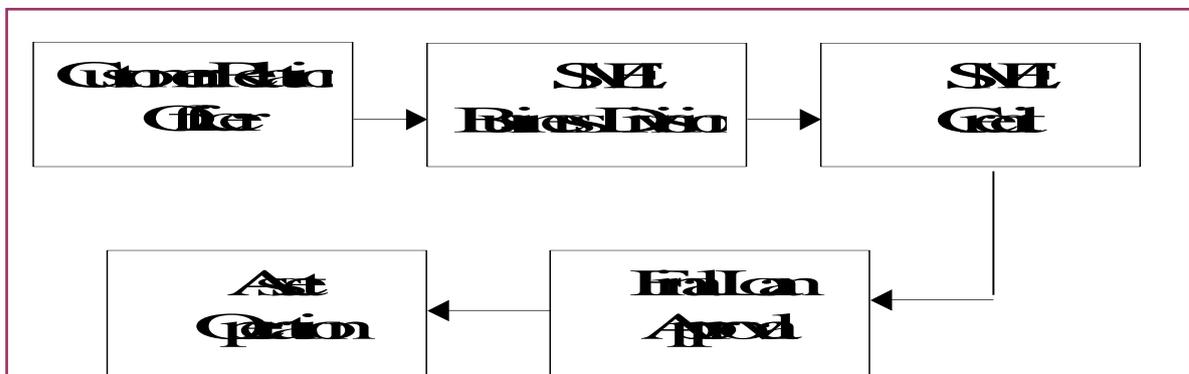
Equipment Finance	Lease financing facility
Shompod	Secured loan upto BDT 3.5 crore
IFFD(Interest First Fixed Deposit)	This is a term deposit product in which interest is paid up-front at the time of FD creation
Shamolima	Loan for agricultural and new sector.

SME Loan Process Flow

When a customer comes to the unit office for a loan request, first he/she meets with the customer relationship officer to discuss about the loan, which loan product is suitable for him/her.

After then the following process takes place:

After then the following process takes place:



SME Network coverage of BBL



3.4 Terms and Conditions of SME Loan

The SME department of BRAC Bank will provide small loans to potential borrower under the following terms and condition:

- The potential borrowers and enterprises have to fulfill the selection criteria
- The loan amount is between Tk. 2 lacs to 30 lacs
- SME will impose loan processing fees for evaluation / processing a loan proposal as following:

Loan Amount	Loan Processing Fee
2 lacs to 2.99 lacs	BDT 5,000
3 lacs to 5 lacs	BDT 7,500
5.01 lacs to 15 lacs	BDT 10,000
15.01 lacs to 30 lacs	BDT 15,000

Loan can be repaid in two ways:

- α) In equal monthly loan installment with monthly interest payment
- β) By one single payment at maturity, with interest repayable a quarter end residual on maturity
- Loan may have various validates, such as, 3 months, 4 months, 6 months, 9 months, 12 months, 15 months, 18 months, 24 months, 30 months and 36 months
- The borrower must open a bank account with the same bank and branch.
- Loan that approved will be disbursed to the client through that account by account payee cheque in the following manner: Borrower name, Account name, Banks and Branch's name
- The loan will be realized by 1st each months, starting from the very next months & the date of disbursement, through account payee cheque in favor of BRAC Bank Limited A/C.
- The borrower has to issue an account payable blank cheque in favor of BRAC Bank Limited before any loan disbursement along with all other security

- The borrower will install a signboard in a visible place of business of manufacturing unit mentioned that financed by “BRAC Bank Limited”
- SME, BRAC Bank may provide 100% of the Net Required Working Capital but not exceeding 75% of the aggregate value of the Inventory and Account Receivables.
- In case of fixed asset Financing 50% of the acquisition cost of the fixed asset may be considered.

3.5 Security Documentation against Loan

A document is a written statement of facts and a proof or evidence of particular transaction between parties involved. While allowing any disbursements against credit facilities to borrowers, it should be ensured that prior to any disbursements; security documentation is fully and properly completed.

Purpose of Decorate Documentation and its Importance

Documentation is necessary for the acknowledgement of a debt and its terms and conditions by the borrower and the creation of charge on the securities in favor of the bank by the borrower. Correct and proper documentation allows a bank to take legal measures against the default borrowers.

If filing a suit with the courts against a default borrower becomes necessary, the court will first review all documents. If any of the documents is found to be defect or incomplete, the purpose of security documentation will be defeated and a court ruling in favor the bank cannot be expected. Proper care should, therefore, be taken while completing security documentation.

Type of Securities

The following listed securities may be obtained from borrower against loan to enterprises, either individually or in a combination. It is really up to the bank what they would like to accept as security from the borrower as not all the securities stated below are suitable:

- Mortgage of loan and other immovable property with power of attorney to sell
- Lien of Fixed Deposits receipts with banks and other non-banking financial institutions, lined, these have to confirm by the issuer
- Lien of Pratirakshay sanchay patra, Bangladesh sanchay patra, ICB unit certificates and wage earner development bond, all considered Quasi or Near cash items
- Lien of shares quoted in the stock exchange (This is rarely accepted)
- Pledge of goods (Banks are akin to stay away from such securities now a days)
- Hypothecation of Goods, Book Debt & Receivables, Plant & Machineries
- Charge on fixed assets of a manufacturing enterprise
- Lien of cheque, Drafts and order
- Lien of work orders, payment to be routed through the bank and confirmed by issuer
- Shipping documents of imported goods

Land Related Securities Documentation Process

Each SME unit offices are lilies with at least two local lawyers who will work on behalf of the bank. These always will be employed whenever a borrower and where the security will be landed and immovable property accept a loan sanction. Any one of the lawyers will be provided with photocopies of all the relevant land related documents and while handing over show the original documents to them, the lawyers will carry out checks of the originals and if satisfied returned to the borrower.

The documents generally provided are:

- Title Deeds or Deed of conveyance otherwise known as ‘Jomeer Dalil’ which signifies ownership of a particular land

- Baya Dalil or Chain of Documents, which signifies that the conveyance of titles has been proper and legal
- Mutation Certificate if Khatian which signifies that the title if the land has been duly registered in the Government/Sub-registrar's records
- Duplicate Carbon Receipt or DCR
- Latest Khajna or land rent receipt
- Purchase such as CS Khatian, SA Khatian and BS Khatian
- Mouja Map
- Municipal rent receipts if the land falls within a municipal area

The lawyer will then carry out a search at the Sub-registrar of land's office to check if the proffered land is actually registered in the name of the proposed mortgagor and whether the said land is free from any encumbrances. The Sub-register's office, which means that the land or immovable property can be mortgaged to the bank, then the lawyer, will provide his own opinion on the acceptability of the property, whether it is legally held and explain the chain of ownership. If all is acceptable, the lawyer will draw up the Mortgage Deed that will be registered, the irrevocable power of attorney to sell the land and the Memorandum of Deposit of Title Deed. The lawyer will have the borrower or the Mortgagor, if different or 3rd party, sign the documents in front of the Sub-registrar of land to register the mortgage, The CRO must ensure that the receipt for the original Mortgage deed must be signed off (Discharged) at the back of the receipt so that the bank may obtain the originals in the future. The borrower will bear all the charges and will pay directly at the Sub-Registrar's office including the cost of the stamp paper required. The cost of the lawyer will also be realized from the borrower by an account payee cheque in favor of the lawyer and handed over to the lawyer straight away.

Mortgage

Equitable Mortgage or Memorandum of Deposit of Title Deeds

It is created by a simple deposit of title deeds supported by a Memorandum of Deposit of Title Deeds along with all the relevant land documents. All the searches and verification of documents as stated above must be carried out to validate the correct ownership of the property. This deed also provides the bank power to register the property in favor of the bank for further security, if needed.

Registered Mortgage

It is created by an execution of a Mortgage Deed registered irrevocably in favor of the bank at the Sub-Registrar of land's office.

Basic Charge Documents

Sanction Letter

Once a loan is approved, the borrower is advised by a 'Sanction or offer letter' which states the terms and conditions under which all credit facilities are offered and which forms an integral part of these security documentation. If the borrower accepts, then a contract between the bank and the borrower is formed and which both party are obligated to perform. Accordingly, all other charge documents and securities are drawn up and obtained. A standard sanction letter is attached herewith. All documents shall be stamped correctly and adequately before or at the time of execution. An unstamped or insufficiently stamped document will not form basis of suit. Stamps are of 4 (Four) kinds. These are Judicial, Non-judicial, Adhesive and embossed impressed.

Following precautions should be taken at the time of execution of the security documents:

- The signature on the documents should be made in the presence of the CRO. The CRO should sign as witness on all charge documents
- The document are to be filled in with permanent ink or typed
- If the document consist more than I page, the borrower should sign on each page

- If the signature of any third party is required to be obtained whose specimen signature is not available, then the main applicant should verify the signature of the third party
- No document or column in any document should remain blank
- As far as possible there should be no erasure, cancellation or alternation in the document.
- After stamping and execution of documents, the question of registration comes up. However, not all documents are required to be registered.

For the extension of any type of credit/loan facility, the following loan documents, which are considered basic, should be obtained from all borrowers:

- Demand Promissory Note
- Letter of Continuity (This is not always taken if there is only loan disbursement)
- Letter of Arrangement
- General Loan Agreement
- Letter of Disbursement
- General Loan Agreement
- Letter of Disbursement; Basically a letter requesting disbursement of the loan
- Letter of Installment, in case the facility is to be repaid in installment

Other Basic Charge Documents

Demand Promissory Note (DP Note)

It is a written promise by a borrower to pay the whole amount of existing or future loans/credit facilities on demand. It also gives the banks power to ask the borrower to repay the loan amount with interest without any prior notice.

Letter of Continuity

This instrument is used in conjunction with the demand promissory note. This is to secure rights of recovery for existing and future credit facility, which are advanced in

parts or on a recovery basis. Loan accounts may from time to time be reduced or even the balance in the said loan account may be in credit so this instrument, validates the said D.P Note, for making further drawings under the facility continuously possible.

Letter of Arrangement

This is a right given by the borrower to the bank to cancel the facility at any time without having to assign any reason. This is also an acknowledgement by the borrower that the credit facility has been approved in his favor and the borrower has to execute all necessary documents to avail credit facility.

General Loan Agreement

A loan agreement is an agreement of contract stating the general terms for the extension of a loan or credit facilities. The General loan agreement sets out the general standard terms and conditions governing the existing or future extension of loan or erudite facilities to the borrower.

Letter of Disbursement

This is simple a letter requesting disbursement of the loan/credit facilities at the agreed rate of interest.

Other Security Documents

Letter of Undertaking

This is a Deed of agreement executed by the borrower agreeing to commit to carry out any or a particular obligation to avail of loan/credit facility.

Letter of Hypothecation of Goods & Stocks and Book Debt and Receivable

These letters Hypothecation are actually two different sets of documents but because of their similarity, these are being explained together. These documents create an equitable or floating charge in favor of the bank over the goods and services and/ or

book debts and receivables that are being financed where neither the ownership nor the possession is passed to the bank. Under this agreement, the borrower undertakes to keep the percent stock of goods and that, which may increase from time to time in good condition in future, in good condition.

Letter of Hypothecation of Plant & Machinery

Under this agreement, the Borrower undertakes to keep the present plant and machinery at the present location in good condition and which gives the bank the power to possess and sell the mentioned plant and machinery to meet the borrower's dues to the bank.

Letter of Lien

A lien the right of one person to retain property in his hands belonging to another until certain legal demands against the owner of the property by the person in possession are satisfied. Thus a bank or a creditor who has in its possession a lien over the goods in respect of the money due by the borrower, as a general rule has the right to exercise certain powers to hold on to the security.

Right to Set Off

This deed of agreement gives the bank the right to offset the value of the goods or financial instrument in its possession and which has been discharged by the owner of that asset, against dues owned by the borrower.

Letter of Disbursement

This agreement gives the bank the right to possess goods and other assets in rented or leased premises of the borrower despite the fact that owner or the premises may be unable to realize dues from the borrower himself.

Personal Guarantees

This is a guarantee of a person or third who is not the direct beneficiary of the loan/credit facility but is equally liable for the loan. The involvement of a 3rd party creates additional pressure on the borrower to minimize the risk. The guarantor is the

person who has to pay the entire outstanding loan and interest if the borrower fails to pay for any reason.

3.6 Selection of Potential Enterprise for SME:

Enterprise Selection Criteria

The success of SME will largely depend on the selection of a business and man behind it. In terms of the business (Enterprise), the following attributes should be sought:

- 1.** The business must be in operation for at least one year
- 2.** The business should be environment friendly, no narcotics or tobacco business
- 3.** The business should be legally registered, i.e., valid trade license, income tax or VAT registration, wherever applicable
- 4.** The business should be in legal trade, i.e.; smuggling will not be allowed or socially unacceptable business will not be entertained
- 5.** The business must have a defined market with a clear potential growth
- 6.** The business must be located ideally close to the market and the source of its raw materials/suppliers. It should have access to all the utilities, skilled manpower's that are required
- 7.** Any risk assessed by the management in turn will become a credit risk for the bank. So effort should make to understand the risk faced by the business.

Entrepreneur Selection Criteria

In order to understand the capability of the management behind the business, the following should be assessed:

- 1.** The entrepreneur should be physically able and in good health, preferably between the age of 25-50.
- 2.** The entrepreneur must have the necessary technical skill to run the business.

3. The entrepreneur must have an acceptable social standing in the community .
4. The entrepreneur must possess a high level of enthusiasm and should demonstrate that he is in control of his business .
5. Suppliers or creditors should corroborate that he pays on time and is general in nature
6. Clear-cut indication of source of income and reasonable ability to save.

Guarantor Selection Criteria

Equally important is the selection of a guarantor. The same attribute applicable for an entrepreneur is applicable to a guarantor. In addition he should possess the followings:

1. The guarantor must have the ability to repay the entire loan and is economically solvent (Check his net worth)
2. The guarantor should be aware about all the aspects of SEDF loan.
3. Govt. and semi-govt. officials can be selected as a Guarantor such as school teacher, college teacher, doctor etc
4. Police, BDR and Army persons, political leaders and workers, and Imam of mosque cannot be selected as a guarantor
5. The guarantor should know the entrepreneur reasonably well .

3.7 Monitoring

Monitoring is a system by which a bank can keep track of its clients and their operations. So monitoring is an essential task for a CRO to know the borrowers' activities after the loan disbursement. This also facilitates the build up of an information base for future reference.

Importance of Monitoring

Through monitoring a CRO can see whether the enterprise invested the sanctioned amount in the pre-specified area of his business, how well the business is running, the attitude of the entrepreneur, cash credit sales and purchase, inventory position, work in process and finished goods etc, This information will help the CRO/BRAC Bank to

recover the loan accruing to the schedule and to take the necessary decisions for repeat loans.

Area of Monitoring

The purpose is to know the entire business condition and all aspects of the borrowers so that mishap can be avoided.

Business Condition

The most important task of the CRO to monitor the business frequently, it will help him to understand whether the business is running well or not.

Production

The CRO will monitor the production activities of the business and if there is any problem in the production process, the CRO will try to help the entrepreneur to solve the problem.

Sales

Monitoring sales proceed is another important task of the CRO it will help him to forecast the monthly sales revenue, credit sales etc.

Investment

It is very important to ensure that the entire loan has been invested in the manner invented. If the money is utilized in other areas, then it may not be possible to recover the loan.

Management of raw materials

In case of a manufacturing enterprise, management of raw materials is another important area for monitoring. If more money is used in raw materials than necessary, then the enterprise may face a fund crisis. Then the production will suffer if there is not enough raw materials.

Monitoring System

The CRO can consider the following things for monitoring:

The CRO will monitor each business at least once a month. He/she will make a monitoring plan/ schedule at beginning of the month

During monitoring the CRO must use the prescribed monitoring form and preserve in the client file and forward a copy of the report to SME head office immediately.

An SME branch will maintain the following files

The file will contain-

- Purchase Receipt
- Delivery Memo's
- Quotations

In addition, all other papers related to furniture and fixture procurement

Other fixed assets and refurbishment

All fixed assets and refurbishment related papers such as purchase receipt, Delivery memo's, Quotation, Guarantee and Warrantee papers, Servicing related papers and any other paper related to fixed assets are refurbishment will be in this file.

Lease agreement file

This file will contain all papers related to lease agreement between the SESDS office and owners of the leased premises.

Individual client file

Individual files are to be maintained for each borrower and will hold loan application, Loan Proposal, Copies of Loan Sanction Letter, Disbursement Memo, Monitoring Report, CIB application and Report, Credit report from other bank and all other correspondents including bank receipt.

Statement file

All types of statement sent to SME head office will be kept in this file chronologically

Office instruction file

All kind of office instruction regarding administration should be kept in this file.

Operating instruction and guideline files

All kind office instruction and guidelines related to operating should be kept in this file

New forms introduction file

All minutes of meeting, whenever held, should be kept in this file.

Security documents and legal aspect file

One set of security documents and lawyer's opinions and suggestions regarding issue will be kept in this file. The original should be send to SME head office on a weekly basis

Survey form file

After conducting survey, all survey will be kept in this file chronological.

3.8 Procedure of BRAC bank SME loan

Loan Sanction activities:

Select Potential Enterprise

For SME loan, in this step the CRO conduct a survey and identify potential enterprise. Then they communicate with entrepreneurs and discuss the SME program

Loan Presentation

The function of CRO is to prepare loan presentation based on the information collected and provided by the entrepreneur about their business, land property

Collect Confidential Information

Another important function of a CRO is to collect confidential information about the client from various sources. The sources of information are suppliers regarding the client's payment, customers regarding the delivery of goods of services according to order, various banks where the client has account, which shows the banks transactions nature of the client

Open Clients Accounts in the Respective Bank

When the CRO decided to provide loan to the client then he/she help the client to open an bank account where BRAC bank has a STD a/c. BRAC bank will disburse the loan through this account.

Fill Up CIB Form

CRO give a CIB (Credit Information Burue) form to the client and the client fill and sign in it. In some case if the client is illiterate then the CRO fill the form on behalf of the client, Then CRO sends the filled and signed form to the SME head office

Sending CIB to Bangladesh Bank

The SME, head office collects all information and sends the CIB form to Bangladesh Bank for clearance. Bangladesh Bank return this CIB form within 10-12 days with reference no.

CIB report from Bangladesh Bank

The CIB report Bangladesh Bank uses 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. This report indicates that the client is defaulter and the bank should not provide loan.
- Loan decision considering CIB report: Considering CIB report, BRAC bank decide whether it will provide loan the client or not. If the bank decides to provide loan then the SME of head office keep all information and send all papers to the respective unit office to apply with all necessary charge documents.

Loan Sanction

The respective unit office sanctions loan to the client if it is 2 to 5 lacs, and then sends the sanction letter including all necessary charge documents to the loan administration division for disbursing the loan. If the amount is higher than 5 lacs then the respective unit office sends the proposal to SME, head office for sanction. The head of SME sanctions the loan and sends the sanction letter including all documents to the loan administration division for disbursement and inform the respective unit office regarding sanction of the loan.

Disbursement of SME loan

- **Pre Disbursement Manual Activities-**
 1. **Prepare loan file:** Receiving all documents, Loan Administration Division prepare a loan file with all documents received from the unit office

2. **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 BDT 20)
 - Letter of arrangement (With stamp of BDT 150)
 - General loan agreement (With stamp of BDT 150)
 - Letter of undertaken (With stamp of BDT 150)
 - Letter of stocks and goods (With stamp of BDT 150)
 - Letter of hypothecation book debt and receivable (With stamp of BDT 150)
 - Letter of disbursement
 - Photocopy of trade license (attested by CRO)
 - Insurance (Original copy)
 - Blank claque 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 BDT 50,000 then the stamp of a certain amount is require)
3. **Documents deficiency and problem resolving:** If there is any error found then it informed to the respective CRO. If the application form is not filled properly then the file send to the CRO to fill the application properly.
4. **Prepare disbursement list:** The loan administration division lists all new sanctioned clients' details and send a request to the treasury through internal mail
5. **Disbursement of the amount:** Sending the list to the treasury of BRAC bank for disburse the amount, the treasury disburse the amount to the client through the mother account of the clients bank. BRAC bank disburse amount through any of the following banks corporate branch nearer the BRAC bank head office and the corporate branch of the respective bank send the amount to the client account in the respective branch.

These banks are:

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

Message sent to the unit office

Completing the disbursement, loan administration division sent a SMS to the respective CRO informing the disbursement of the sectioned loan.

MBS entries for loan disbursement

1. **Initial ID generation:** After sending the list to the treasury, the loan administration division generates an initial ID against the borrower.
2. **Loan account opening:** According to the ID, the loan administration division opens a loan account in MBS against the borrower. Entering all required information, the MBS automatically give an account no. For the borrower
3. **Cost center assign:** The loan administration enter the following information in MBS:
 - Security details set-up
 - Guarantor details set-up
 - Loan other details set-up
4. **Risk fund collection:** The loan administration division opens a different account risk fund of the client. This is known as loan processing fees.
5. **Activision of the loan:** Loan administration division does the following tasks to activate the loan:
 - Loan sanction details set-up
 - Repayment schedule set-up and printing
 - Loan activation
 - Disbursement and CC wise voucher print
 - Disbursement voucher posting

Post Disbursement Manual Activities

- 1. Repayment schedule sent to unit office:** Completing the disbursement of the sanctioned amount the loan administration division prepare a repayment schedule in MBS and send it to the unit office. CRO from the unit office collect it and reached to the respective client. The client repays the loan according to this schedule.
- 2. Loan details MBS entry:** The loan administration division enters details information regarding the loan in MBS. Each officer has an ID no in MBS and if there is any error found then the respective officer would be responsible for it.
- 3. Document stamp cancellation:** The loan administration division cancels all document stamps. In future if any client found defaulter and the bank file sued against him then stamps of these document help to get the judgment favor of the bank.
- 4. Send the loan file to archive:** completing all activities, loan administration division sends the loan file to the archive for future requirement. In future if any document of the loan account requires then the bank can collect the file from archive and get the necessary document. If the clients take repeat loan then it is not require applying all documents because his all documents stored to the bank.

SME Loan Recovery Procedures:

The repayment process starts immediately after one month of the loan taken. Suppose if a loan is taken in January 7, 2008 then the repayment process will be started from February 7, 2008 and the borrower will pay his/her first installment in that date. Before that date, the borrowers will be informed about the number of installments and amount of each installment. He can deposit the installment by himself or by the Customer relationship officer (CRO). Again they can deposit the installments either in any branch of BRAC Bank or in any correspondence bank (where BRAC Bank has no branch). If the borrower cannot pay the installment in the stipulated date, interest will be charged for each day before they pay that installment.

However, after the borrower repays the loan installments there are number of steps done in the repayment procedure of SME loan. These steps are:

Receive SMS/Fax for installment deposits

When the borrower repays any installment of the loan then he/she informs it to the unit office/CRO. Then the unit office/CRO sends an SMS through mobile phone or a Fax to the loan administration division informing the repayment. A loan administration division collects these SMS /Fax and takes a paper print of these SMS.

Entry the installment information to MBS

Loan administration division entries the repayment installment information to the banking software MBS.

Print Vouchers

Completing the entry, the loan administration division takes paper print of all vouchers in a prescribed yellow paper.

Check SMS/Fax and solve problems (If any)

The loan administration is responsible for all entry in MBS. If there is any error found in future then the respective officer who is entering this information in MBS will be liable for it. User ID will easily identify it. So they are always aware of to ensure the correct entry. Completing the entry of information, they print a hard copy and check it with the SMS/Fax. If there is any error found then it is solved and ensures the correct information entry.

Repayment voucher check and posting

If it confirmed that all entering information is correct and there is no error, then the responsible officer of the loan administration division posts it to MBS. If one time posted, it is not rectifiable without permission of the higher authority. So the loan administration is always aware of regarding the recovery procedures of SME loan.

Closing procedures of SME loan:

Pre-closing manual activities

1. **Receive SMS/Fax requesting for closing:** The borrowers repay the loan as per repayment schedule. When the repayment is being complete the borrower

request the unit office/CRO to close his loan account. The unit office/CRO sends a SMS/Fax the loan administration division requesting to close the loan account of the respective borrower.

2. **Print the SMS/Fax:** Receiving the request from the respective unit office/CRO, the loan administration divisions print the paper and takes necessary steps to close the account.
3. **Bring the loan file from archive:** The loan account file of the respective borrower is brought from the archive. And the documents of file are checked with MBS record.
4. **Obtained approval from the concern authority:** it is require the permission of concerned authority to close the loan.
5. **Checking in MBS:** The loan administration division checks the loan status in MBS. If there is any difference found with the SMS/Fax from unit office and MBS then deposits sleeps are re-checked. Then the loan administration division calculates the total balance of the loan account (Ledger balance + buffer interest +Excise duty)
6. **SMS sent to concerned CRO:** Loan administration division sent an SMS to the concerned CRO informing the current balance of the requested loan account.
7. **Receive and print closing SMS/Fax checking & freezing:** The concerned CRO send a final SMS to loan administration division informing that the respective borrower cleared all his liabilities regarding the loan. The loan administration division takes paper print of the SMS, check it and finally close the loan account.

MBS entries for loan closing

1. Pre closing data entry: Completing the manual activities, the loan administration division enters some information to MBS for future requirement and complete following tasks:

- Interest/provision charging & print voucher
- Charges collection & print voucher

- Final repayment entry & print voucher
- Final repayment entry checking
- Repayment voucher posting

2. Activate account closing in MBS: Completing above mentioned tasks, the loan administration division finally close the requested loan account in MBS.

Post closing manual activities

1. Re-checking with deposit slip: Completing MBS activities, the loan administration re-checks all deposit sleeps of the loan account. If there is any error found then it is immediately resolved, otherwise the file sends to the archive for future requirements. If the client asks to return security then the loan administration releases security completing following tasks:

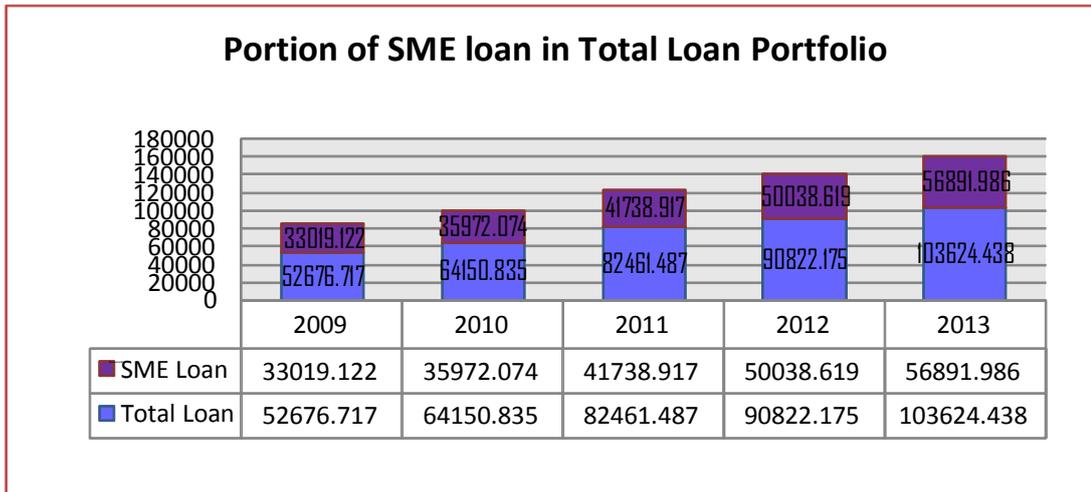
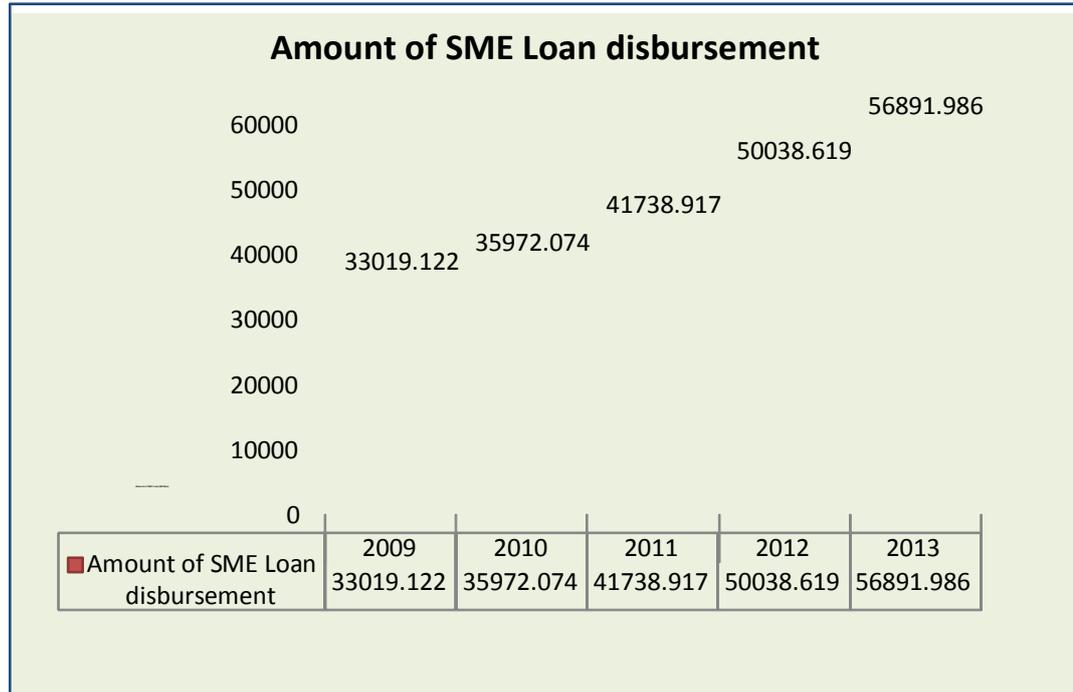
- Documents photocopy before security release
 - Closing certificate issuing and security release
- 2. Daily MIS updating for loan closing:** Finally the authorized officer of the loan administration division update the banking software MBS (Millennium Banking System) by closing the respective loan account.

Disbursement amount & client base of SME Banking

BRAC Bank’s SME banking is continuing its journey of serving the SMEs, as can be observed from the tremendous growth in client base and from the disbursement amount.

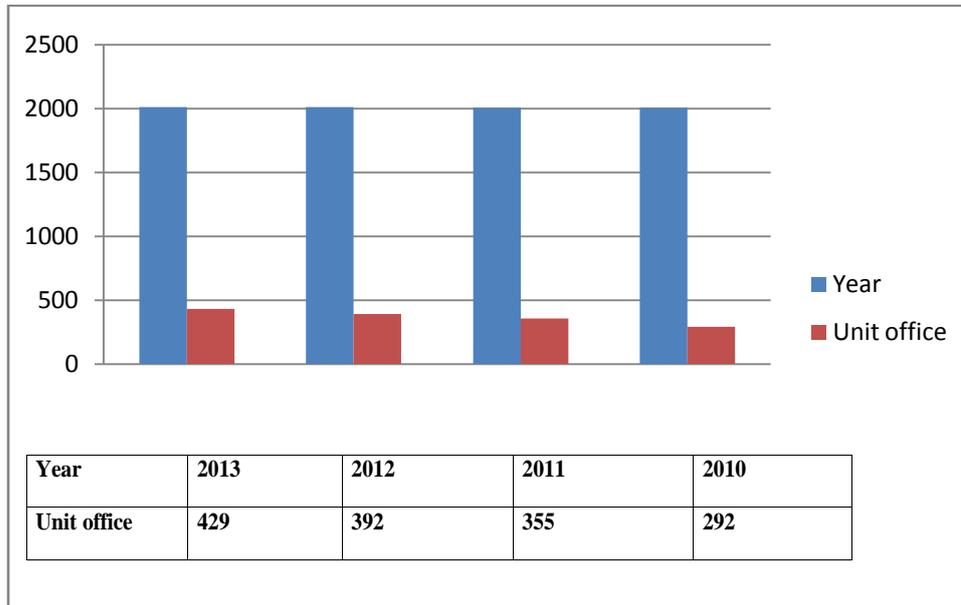
Disbursement Amount of SME Banking in million BDT (Cumulative)	
Year	Amount
2009	52676.717
2010	64150.835
2011	82461.487
2012	90822.175
2013	103624.438

Number of SME loan disbursement (Cumulative)	
Year	No of loan
2009	33019.122
2010	35972.074
2011	41738.917
2012	50038.619
2013	56891.986



Trend of SME unit offices

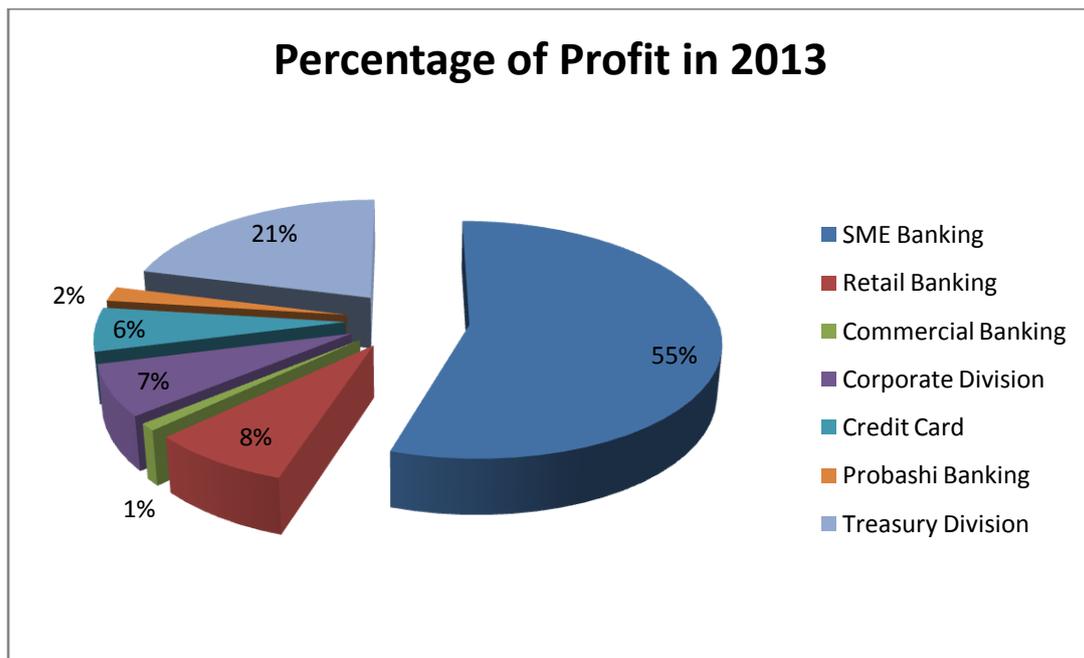
Year	2013	2012	2011	2010
Unit office	429	392	355	292



Operating Profit from SME

BRAC Bank’s operating profit increases in every year at a double digit growth. In 2007 it was 1945 million but in 2008 it increases 63%, 3174 million. Below presented 8 years operating profit statistics in BBL.

Operating Profit (BDT in Million)			
Particulars	2012	2013	Percentage of Profit in 2013
SME Banking	866	1746	55%
Retail Banking	388	267	8%
Commercial Banking	21	29	1%
Corporate Division	165	207	7%
Credit Card	-26	206	6%
Probashi Banking	32	57	2%
Treasury Division	499	663	21%
Total	1945	3175	100%



CHAPTAR- FOUR

Reconciliation process of BRAC BANK Ltd's SME Loan

5.1 Introduction

The SME, Probashi and Cash management business of Brac Bank Limited is mostly dependent on corresponding banking relationship. BRAC Bank has to open accounts with the other banks in the remote areas where banks representation not available. The corresponding bank accounts are used for SME disbursement, realization, remittance and cash management purpose. Every month we have found a huge number of entries un-reconciled between the bank and the corresponding banks book.

Bank has to prepare the periodic reconciliation statements to identify any mismatch. Reconciliation is the process of systematically comparing the balance of bank statement with the balance as per the company's ledger and explaining any differences and taking necessary measures to correct the wrong entries. It is an important internal control mechanism of the bank.

The responsibilities of reconciliation of BRAC Bank are centralized and given to Central Operations. There is a separate devoted team under the Central Operations for identifying the unmatched items, analyzing the same and guide the initiating departments to do the rectification. Reconciliation section of Central Operations prepares and submits a status report on monthly basis and the same to all concerned departments and Enterprises Risk Management Departments for their information and monitoring. Also submits a status report to MD & CEO and DMD & COO for their information.

5.2 Description of Process Flow Chart

Statement collection:

Wholesale Banking Operations Department is responsible for collecting the Bank statements from correspondence Bank by 7th of the following month. They keep the original copy with them and send the photocopy to Central Operations Department by 10th of every month. If there have any errors in the statements, Central Operations will return the statements to Wholesale Banking Operations.

Wholesale Banking Operations Department will communicate with the correspondence bank and send the corrected copy to Central Operations Department within 05 working days from the date of receipts.

Reconciliation Process

i) After receiving Bank statement from Wholesale Banking Operations Department, Reconciliation Team takes print of the GL account and cross/match all entries between Bank statements and GL account to identify unmatched entries.

ii) Reconciliation statements of all unmatched entries are prepared by identifying team and send to analyzing team for adjustment.

iii) Respective department will provide all supporting documents if required by reconciliation team within 2/3 working days for analyzing entries

IV) After analyzing of un adjusted entries, Reconciliation section are prepare a statements with supporting documents and send it to concern departments to pass the necessary entries for adjustments

5.3 Analysis & Adjustment

Adjustment team prepare a statement of all identified mismatch entries with supporting documents and send the same to respective departments to pass the necessary correction entries for adjustments

Upon receipt the statement (Adjustment advice) from Central Operations Department, respective departments will pass the correct entries within 03 working days and send a copy to Central Operations Department for recording

CHAPTER- FIVE

SWOT Analysis

SWOT Analysis

SWOT analysis is an important tool for evaluating the company's Strengths, Weaknesses, Opportunities and Threats. It helps the organization to identify how to evaluate its performance and scan the macro environment, which in turn would help organization to navigate in the turbulent ocean of competition.

Strengths:

Goodwill: BRAC bank LTD has already established a favorable reputation in the banking industry of the country particularly among the new comers. Within a period of 5 years, BBL has already established a firm footing in the banking sector having tremendous growth in the profits and deposits. All these have lead them to earn a reputation in the banking field

Sponsors: BBL has been founded by a group of eminent entrepreneurs of the country having adequate financial strength. The sponsor directors belong to prominent resources persons of the country. The Board of Directors headed by its Chairman Mr. F. H. Abed. Therefore, BBL has a strong financial strength and it built upon a strong foundation.

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

Facilities and equipment: BBL has adequate physical facilities and equipments to provide better services to the customers. The bank has computerized and online banking operations under the software called MBS banking operations. Counting

machines in the teller counters have been installed for speedy service and the cash counters. Computerized statements for the customers as well as for the internal use of the banks are also available.

Weaknesses:

Lack of advertising and promotion of SME loan: This is a major set back for BBL and one of its weakest areas. BBL's advertising and promotional activities are satisfactory but its SME loan is not advertised well. It does not expose its SME product to general public and are not in lime light. As a result large numbers of people are not aware of the existence of this bank.

NGO name (BRAC): BRAC is one of the largest NGO of the world and it is operating its activities in Bangladesh. BRAC bank is not a NGO bank but many people of them country consider it as a NGO bank like Grameen bank which is not correct.

Remuneration: The remuneration package for the entry and the mid level management is considerably low. The compensation package for BBL entry level positions is even lower than the contemporary banks. Under the existing low payment structure, it will be difficult to attract and retain higher educated employees in BBL. Especially CROs are not satisfied with compensation package provided to them.

Opportunities:

ATM: BBL always tries to provide excellent services to its customers. By considering this thing BBL provides ATM card to its customers and also provide available ATM booth in different locations in whole country.

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

Product line proliferation: In this competitive environment BBL must expand its product line to enhance its sustainable competitive advantage.

Available Branches: With its proper and useful operational network, there is an opportunity for IFIC to further expand its branches in many remote and new locations of the country which will deliver services to customers and earn a healthy profit for the bank.

Threats:

Competition: Competition is the threat of any business. At the age of modern business the competition is increasing. Every bank has an intention to provide better services compared to others for capturing the customers.

Multinational banks: The emergence of multinational banks and their rapid expansion poses a potential threat to the new growing private banks. Due to the booming energy sector, more foreign banks are expected to arrive in Bangladesh. Moreover, the already existing foreign bank such as Standard Chartered is now pursuing an aggressive branch expansion strategy. This bank is establishing more branches countrywide and already launched its SME operation. Since the foreign banks have tremendous financial strength, it will pose a threat to local banks.

Upcoming banks: The upcoming private local banks can also pose a threat to the existing private commercial banks like BBL. It is expected that in the next few years more local private banks may emerge. If that happens the intensity of competition will rise further and banks will have to develop strategies to compete against an onslaught of foreign banks.

Contemporary banks: The contemporary banks of BBL such as Dhaka bank, prime bank and Dutch Bangla are its major rivals. Prime bank and other banks are carrying out aggressive campaigns to attract lucrative clients as well as big time depositors.

CHAPTER- SIX

Findings, Recommendations & Conclusion.

Findings:

- CRO's are not getting enough time to monitor of loan utilizing. Every CRO has to fill up the individual target which is given by the head office.
- The SME head office collects all information and sends the CIB form to Bangladesh Bank for clearance. Bangladesh Bank returns this CIB form to the respective SME head office by requiring long time ranging 10-12 days. It kills time.
- The respective unit office sanctions loan to the client if it ranges between BDT 2 to 5 lacs, and then sends the sanction letter including all necessary charge documents to the Asset Operations Department (AOD) for disbursing the loan. If the loan amount is higher than BDT 5 lacs, only the SME head office has the authority to sanction.
- When the borrower repays any installment of the loan then he/she informs it to the unit office/CRO. Then the unit office/CRO sends an SMS through mobile phone or a Fax to the AOD informing the repayment. The AOD collects these SMS /Fax and takes a paper print of these SMS. But there is no monitoring system if CRO fails to send SMS to the head office.
- When all payments made by the borrower the unit office send request to head office for loan closing. But head office takes more time to close the account.
- CRO's are the key indicator of SME banking division. But their training facilities are limited and they are not satisfied about their remuneration.

Recommendation:

- SME head office sanction the loan by obtaining CIB form from Bangladesh Bank. SME head office should try to collect CIB form with shortest possible time from Bangladesh Bank.

- Implement strict and continuous monitoring system of the whole recovery and repayment process.
- Train the Customer Relationship officers more comprehensively and realistically so that customers may not face any trouble while getting and repaying the loan. Make continuous performance evaluation of the CROs. The CROs should give higher remuneration.

- The bank should effectively monitor the loan utilization of borrower and also CRO's when they send SMS to head office about repayment of the loan amount.

- Analyze customers' behavior that what type of customer makes default and stop giving them SME loan.

- SME unit office waits for closing confirmation from head office. Because they can not disburse the repeat loan until getting the closing confirmation from head office. So head office should give closing confirmation with shortest possible time.

Conclusion:

Brac bank Limited promotes broad-based participation in the Bangladesh economy through the provision of high quality and modern banking services. SME loan is one of such quality product through which they offer the small and medium entrepreneurs a quality banking services and earn the maximum profit as well. There are number of commercial banks operating their activities in Bangladesh. The BRAC Bank Limited is a promising one in them. Especially the SME division of Brac Bank Limited has an important contribution of Bank's overall profit. SME business of BBL has expanding dramatically which creates a large employment opportunity for our country. Banks always contribute towards the economic development of a country. BBL compared with other banks is contributing more by investing most of their funds in fruitful projects and risk free individual. It is obvious that the right thinking of the bank including establishing a successful network over the country and increasing resources, will be able to play a considerable role in the portfolio of development of financing in the developing country like ours.

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Appendix:

Short Form	Full Form
ATM	Automated Teller Machine
BBA	Bachelor of Business Administration
BBL	BRAC Bank Limited
BDT	Bangladeshi Taka
BRAC	Bangladesh Rural Advancement Committee
CEO	Chief Executive Officer
CIB	Credit Information Bureau
CRO	Customer Relationship Officer
EPL	Equity Partner Limited
IFC	International Finance Corporation
MBS	Millennium Banking System
NGO	Non Government Organization
SME	Small & Medium Enterprises
VAT	Value Added Tax
ZM	Zonal Manager

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