

## **INTERNSHIP REPORT**

**On**

*“SME Lending Activities & Reconciliation Process: A study on  
BRAC Bank Limited”*



**Submitted To:**

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**Date of Submission: 10 November 2014**

## LETTER OF TRANSMISSION

10 November 2014

Nusrat Nargis  
Assistant Professor  
Daffodil International University

### **Subject: Submission of the Internship Report.**

Dear Madam,

It is a great pleasure that you have given me an opportunity to submit the internship report on **“SME Lending Activity & Reconciliation Process: A study on BRAC Bank Limited”**. I have completed my internship program in BRAC Bank Limited.

Bangladesh is an over populated country and agricultural sector is saturated. Most of the people engage in agricultural sector so over employment problem arise in the agricultural sector on the other hand capital is scarce in this count industrialist should focus on labor intensive small businesses and this is the primary reason for evolving SME. SME plays an important role in the economic and social life and it can generate large numbers of non-agriculture jobs, exports, sales and value addition.

In this report I mainly focus on the activity of SME Banking of BRAC Bank Limited including SME Products, SME Loan disbursement procedure, Risk issues of SME Banking, Risk Management policy of BRAC Bank under SME Banking and so on.

I hope that my report will satisfy you and I also would like to thank you again for giving me the opportunity to submit this report.

Yours Sincerely,

Md. Habibur Rahman  
ID: 111-11-2016  
B.B.A. 28<sup>th</sup> Batch,  
Daffodil International University

## Acknowledgement

First of all I would like to be grateful to the Almighty Allah, the merciful & the benevolent that have enable me to complete this report within the scheduled time.

The internship, a part of the academic discipline, for the BBA students has been designed to acquire practical knowledge. It is expected that the integration of knowledge in theories and practices will enable us to become effective. Through this program, I have got the chance to acquire some experience in a reputed bank, which is expected to enlighten my career.

I am deeply thankful to express special gratitude to Assistant Professor **Nusrat Nargis** Advisor of Daffodil international University, for giving me the opportunity to discover the kind of kinship that ensues when we work in close proximity to compile this report. I am also grateful to him for his whole-hearted guidance and supervision, during the preparation of the report.

Gratitude is due to **Mr. Fazlul Karim** (Senior Manager, Archive Management, Central Operations), and **Sayada Maria Sultana** (Officer, Central Support Department) and to all the personnel of BRAC Bank Ltd. Head Office, who have co-operated and helped me in collecting information for the improvement of my report.

I gratefully acknowledge the time and effort that the above-mentioned persons have voluntarily shared. Their suggestions and comments to make the report a good one, was really a great source of spirit for me.

My love and thanks to all my friends who have helped and supported me all the way, while doing the report.

Md. Habibur Rahman  
ID: 111-11-2016  
B.B.A 28<sup>th</sup> Batch,  
Daffodil International University

## Approval Certificate

Date: 10 November 2014

I, hereby certified that the internship report titled “**SME Lending Activities & Reconciliation Process: A study on BRAC Bank Limited**” is a research work done by Md. Habibur Rahman, student of Daffodil International University ID: 111-11-2016. This report represents an independent and original work prepared on the basis of primary and secondary data collected and analyzed by the Candidate. This report has not been accepted for any other degree and is not concurrently submitted in candidature of any other degree.

The entire work has been planned and carried out by the candidate under my supervision and guidance. In my opinion, this report is sufficient in terms of scope and quality for the award of the degree of Bachelor of Business Administration (BBA) from Daffodil International University.

Nusrat Nargis  
Assistant Professor  
Daffodil International University

## EXECUTIVE SUMMARY

This is the internship report based on the three month long internship program that I had experienced in the Head Office of BRAC Bank Ltd. from 1<sup>st</sup> June 2014 October to 30th September 2014 .December as a requirement of my BBA program under Department of Business administration of Daffodil international university

This report is divided into two broad parts: one is the organization part and another is the project part. In the organization part, I introduced the Latest and one of the largest banks of our country— the BRAC Bank Ltd. On the other hand, in the project part, I focused on the SME Loan Lending Activities, Reconciliation Process, findings, Recommendation and Conclusion.

SME Banking Division is a business division of BRAC Bank Limited that deals with Small and Medium sized Entrepreneurs involved in different types of business. SME banking division primarily provides loans to small and medium sized trading, manufacturing, service, agriculture, non-farm activities and agro-based industries located across the country.

I prepared the internship report on **“SME landing Activities & Reconciliation Process: A study on BRAC Bank Limited”** based on secondary data and information. For this specific purpose I collected data and information from various sources like published materials such as the annual report, the training materials etc. I furnished the full contents of the report in several chapters.

While discussing the different aspects and functions of the bank, priority has been given to depict the real situation as far as appraisal and management system of BRAC Bank Ltd. are concerned by employing the experience gathered during the internship program. BRAC Bank is a third generation bank in the growing banking sector of Bangladesh.

As a part of my internship program I got a chance to work at this bank for a period of three months. During this period I have learned about this organization and its work environment, which inspire me to work on my topic.

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## CHAPTER ONE

### INTRODUCTION

## **1.1 Background of the report:**

Without any application, knowledge is valueless. Now a day's everything is so practical. In a professional life theoretical knowledge is base and practical knowledge is a key to success. Highly theoretical knowledge is meaningless if we don't use it in our practical life.

Bachelor of Business Administration (BBA) is a professional program. It is designed with an excellent combination of practical and theoretical aspects. This internship program is very important for a BBA student. This program helps BBA students get an initial experience about the practical field. As a student of BBA, with the partial fulfillment of the course requirement, I was assigned to pursue internship in BBL, Head Office, Gulshan, Dhaka.

I have used my knowledge properly on banking system. After observing thoroughly, I have prepared this report on the basis of my findings and observation relating to the topic.

## **1.2 Objectives of the report:**

- To analyze Financial Performance of BRAC Bank Ltd for last four years.
- To analyze the SME Loan Disbursement Procedure of BRAC Bank Ltd.
- To identify the terms and conditions of SME loans. To make some recommendation for further development of SME loan products of BRAC Bank Ltd.
- To analyze the Reconciliation Process on the SME Lending Activities, of BRAC Bank Ltd.

### **1.3 Methodology:**

#### **Sources of data:**

For collecting the required data, I have used both primary & secondary sources of data like,

##### Primary data sources

- Discuss with Executives, officers.
- Face to face communication with the supervisor and employees of the BRAC Bank Ltd.
- Direct observation by visiting SME unit office of BBL.
- Direct observation by Internship training of BBL.

##### Secondary sources

- Annual performance report of BBL.
- Bank records
- Journals of the Bank
- Different book's, training paper's, manuals etc. related to the topic.
- Official Website of the Bank

### **1.4 Limitations of the study:**

The study has suffered from a number of barriers-

- Data from BRAC Bank is highly confidential for the outside people and I had no authority to use the core banking software.
- BBL changes its core banking software, MBS to FINACLE that's why all the employees are very busy with their work, sometimes I had to wait more than one week for a piece of information.
- Time is the big constraint for my research. I have to submit a broader deal in a shorter form of outcome.
- I had to go under my day to day job responsibility that I was supposed to do so. So I could get few more time to spend in collecting data for preparing my internship report.

## CHAPTER TWO

### OVERVIEW OF BRAC BANK LIMITED

## **2.1 About BRAC Bank Limited:**

BRAC Bank Limited is one of the latest generations of scheduled commercial banks in Bangladesh. It established in Bangladesh under the Banking Companies Act, 1991 and incorporated as private limited company on 20 May 1999 under the Companies Act, 1994. BRAC Bank Limited started its Journey on the 4th of July 2001 with a vision to be the absolute market leader through providing the entire range of banking services suitable to the needs of modern and dynamic banking business as well as to promote broad based participation in the Bangladesh economy through the provision of high quality banking services.

BRAC Bank Limited, with institutional share holdings by BRAC, International Finance Corporation (IFC) and Shore Cap International has been the fastest growing Bank in 2004 and 2005. BRAC Bank is extending full range of banking facilities as per the directives of Bangladesh Bank. It intends to set standards as the absolute market leader in Bangladesh by providing efficient, friendly and modern fully automated on-line service on a profitable basis.

BRAC Bank Limited has adopted the “**three P**” agenda –**Planet, People and Profit** as its fundamental guiding principle, a fact that has gained global recognition for the Bank.

Being **one of the members of GABV (Global Alliance for Banking on Values)**, BRAC Bank along with thirteen of the world's leading sustainable banks, is engaged in building a viable future for the financial industry. In line with the theme of developing human capital, the bank is also involved in creating an alternative banking and finance system, where social impact is considered as important as financial return.

In the last five years of operation, the Bank has disbursed over BDT 1500 crores in loans to nearly 50,000 small and medium entrepreneurs. The management of the Bank believes that this sector of the economy can contribute the most to the rapid generation of employment in Bangladesh. Since inception in July 2001, the Bank's footprint has grown to 157 branches (84 Branches, 48 SME/Krishi Branches and 22 SME Service Centers) , 12 Apon Shomoy, 350+ ATMs, 30 CDMs, 572 SME unit offices and 7,695 (**as on 15th July 2014**) human resources, BRAC Bank's operation now cuts across all segments and services in financial industry. It has disbursed over BDT 14,500 crores of SME loan and has over 1,200,000 individual customers who access online banking facilities.

## **2.2 Corporate Vision, Mission and Core Values:**

### **Corporate Vision**

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

### **Corporate Mission**

- Sustained growth in Small & Medium Enterprise sector.
- Continuous low-cost deposit growth with controlled growth in Retail 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 Charge sat 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.
- Keep a diverse, far flung team fully motivated and driven towards materializing the Bank’s vision into reality.

### **Core Values**

The Bank’s Strength emanates from its owner - BRAC. This means, it will hold the following values and will be guided by them as it does its jobs.

- Value the fact that we are a member of the BRAC family.
- Creating an honest, open and enabling environment.
- Have a strong customer focus and build relationships based on integrity, superior service and mutual benefit.
- Strive for profit & sound growth.
- Work as a team to serve the best interest of our owners.
- Relentless in pursuit of business innovation and improvement.
- Value and respect people and make decisions based on merit.
- Base recognition and reward on performance.
- To be Responsible, trustworthy and law-abiding in all that we do

### 2.3 Corporate information at a glance:

Registered Name	BRAC Bank Limited
Slogan	Committing Human Capital to our growing economy.
Date of Incorporated	1999
Inauguration of the first branch	4 <sup>th</sup> July, 2001
Head Office	1, Gulshan Avenue, Gulshal-1, Dhaka-1212
Chairman	Sir Fazla Hasan Abed
Managing Director & CEO	Mr. Syed Mahbubur Rahman
Board of Directors	6
Number of Branches	157
Number of Employees	7000(Approximately)
Authorized Capital	12000 Million
Paid Up Capital	4433 Million
Service Provided	Deposit scheme, SME loan, Credit facility and Foreign exchange service.
Banking Operating System	Both conventional and foreign exchange system
Technology Used	Member of SWIFT, Enterprise Resource Planning (ERP), Online Banking and UNIX based Software.
E-mail	<a href="mailto:enquiry@bracbank.com">enquiry@bracbank.com</a>
Website	<a href="http://www.bracbank.com">www.bracbank.com</a>
SWIFT	BRAKBDDH

The logo of BRAC Bank has been prepared keeping in mind the goal of the organization. The square structure of the logo means solid and strong. The Golden Color in the lower portion of the logo means the 'Golden Bangladesh & her fertile land'. The Blue color in the upper portion means 'the sky with enormous & unlimited opportunity'. The white colored curve means 'Growth and Progress'. White circles in the blue color mean the flashing sun that gives light to everywhere.

### 2.4 Logo of BBL:





## **2.5 Bank's Culture:**

Bank has adopted trust as a corporate value which is acronym for team work, respect for all people, unquestionable integrity, excellence in everything BRAC Bank Limited of SME do, Sense of urgency in getting things done and total commitment. All employees are expected to conduct themselves in accordance with the rules and regulations of the bank.

BRAC Bank Limited will be the most successful private sector commercial bank in our country, though it started its operation few years back. It has achieved the trust of the general people and made reasonable contribution to the economy of the country by helping the people investing allowing credit facility.

## **2.6 BBL's Financial Performance for last few years:**

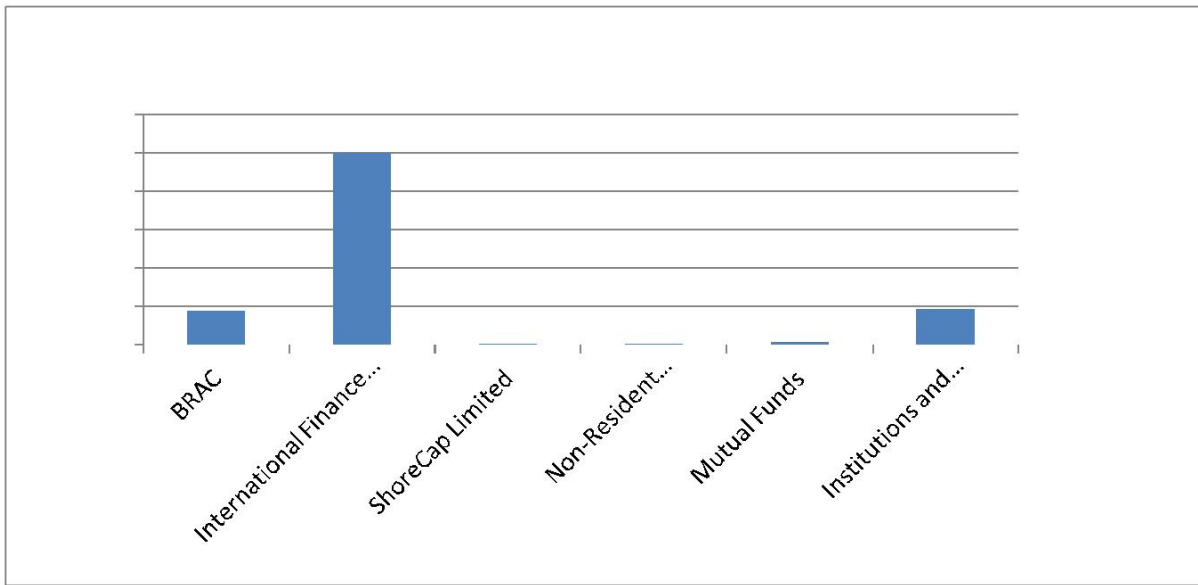
Particulars	Amount in BDT (Million)			
	Dec-13	Dec-12	Dec-11	Dec-10
Cash and Bank balances	32,983	28,902	15,190	13,474
Fixed & Other Assets	14,891	15,778	12,510	8,506
Investments	21,299	25,373	14,199	12,856
Money at call and short notice	-	-	480	-
Loans & Advances	21,299	1,03,624	90,822	82,462
<b>Total Assets</b>	<b>1,71,902</b>	<b>1,73,677</b>	<b>133,201</b>	<b>117,298</b>
Borrowing from Banks	8,917	4,566	1,112	3,700
Money at call and short notice	2,848	1,990	-	550
Subordinated debt	3,000	3,000	3,000	3,000
Other Liabilities	1,24,746	1,34,646	15,760	12,472
Total Deposits	20,803	19,320	1,03,726	88,158
Shareholder's Equity	11,587	10,155	9,753	9,418
<b>Total Liability &amp; Equity</b>	<b>171,902</b>	<b>173,677</b>	<b>133,201</b>	<b>117,298</b>

e.g. Annual Report BRAC Bank(2013)

## 2.7 Shareholder Structure of BRAC Bank Ltd:

Name of Shareholder	% of Shareholding
<b>BRAC</b>	44.64%
<b>International Finance Corporation</b>	5.36%
<b>Shore Cap Limited</b>	0.86%
<b>Non-Resident Bangladeshi</b>	0.20%
<b>Mutual Funds</b>	3.19%
<b>Institutions and General Public</b>	46.61%

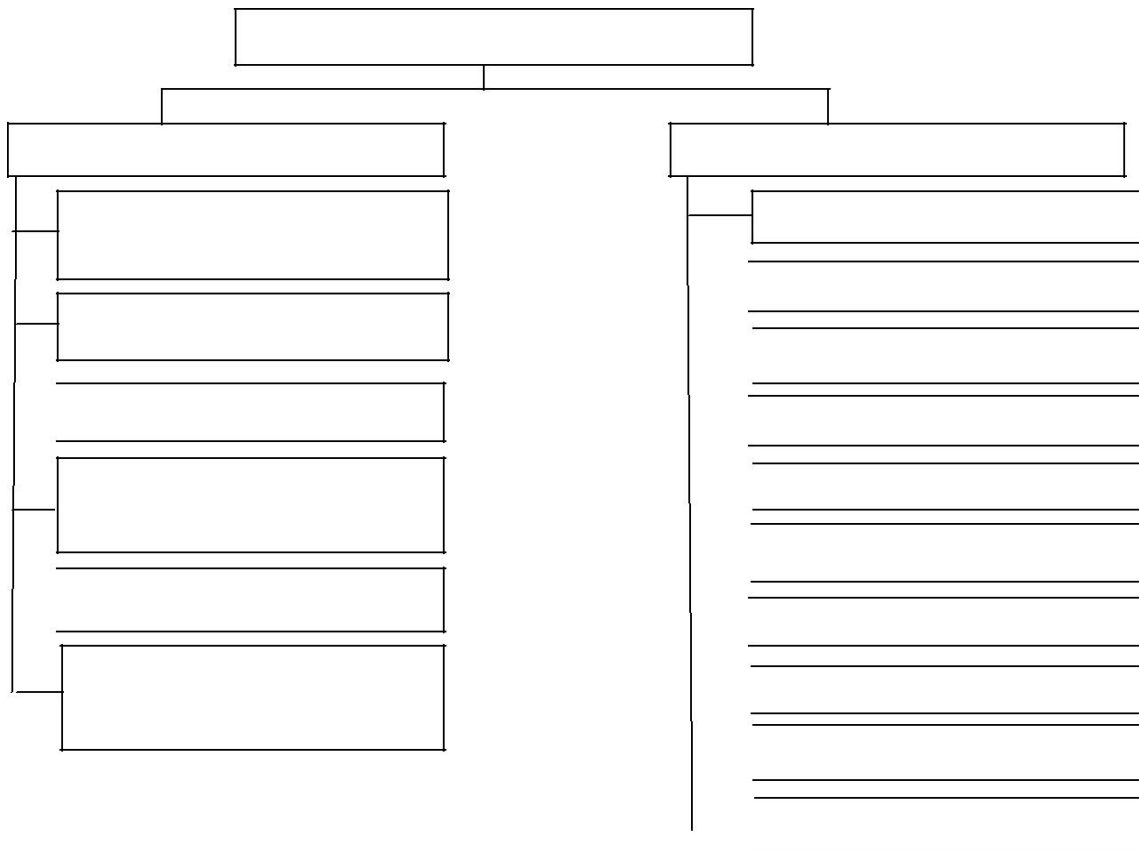
e.g. (As on 01.09.2014)



**Figure No 2: Shareholding Structure BRAC Bank Ltd.**

## **2.8 Departments of BRAC Bank Limited:**

If the jobs are not organized considering 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 performance of a particular department would not be measured. BRAC BANK Limited has does this work very well. Departments are as follows:



**Figure No 3: Departments of BRAC Bank Limited**  
**Source: Compiled data from tanning materials**

## 2.9 BRAC Bank Subsidiaries:



### BRAC EPL Stock Brokerage Limited

BRAC EPL Stock Brokerage Limited is one of the leading stock brokers in the country. BRAC EPL Stock Brokerage Limited has membership at both of the country's stock exchanges; the Dhaka Stock Exchange (DSE) and the Chittagong Stock Exchange (CSE).



### BRAC EPL Investment Limited

BRAC EPL Investment Limited delivers a whole range of Investment Banking services including traditional merchant banking activities such as Issue Management, Corporate Advisory, Corporate Finance, Underwriting and Portfolio Management.

**Sources:** [www.bracepl.com](http://www.bracepl.com)



### BRAC SAAJAN Exchange Limited

BRAC Saajan Exchange Limited mainly provides remittance services to the large Bangladeshi Communities living in UK. Apart from its remittance services the Company also caters to the investment needs of the NRBs through its parent organization BRAC Bank.

**Sources:** [www.bracsajaanexchange.com](http://www.bracsajaanexchange.com)



### bKash

bKash Limited (a subsidiary of BRAC Bank) operates with an objective to ensure access to a broader range of financial services (mobile fund transfer facility) for the people of Bangladesh. It has a special focus to serve the low income masses of the country to achieve broader financial inclusion by providing services that are convenient, affordable and reliable.

Sources:

<http://www.bkash.com/About.php>

[www.bracbank.com/Press-Releases.php](http://www.bracbank.com/Press-Releases.php)

## **2.10 Major Chronicles of BBL Journey:**

- Registered office: 1, Gulshan Avenue, Gulshan-1, Dhaka-1212
- 1999: Company Registration Number C-37782(2082)
- 2001: Inauguration of Banking Operations
- 2002: First SME Unit office
- 2003: Signing with Shore Cap as investor
- 2004: Signing with IFC as investor 2005: First ATM installed
- 2006: Preferential Share issued 2006: 24x7 Phone Banking opening
- 2006: Initial Public Offering of shares held
- 2007: Listing with CSE & DSE
  - : Launch of Credit Cards
  - : 2500 remittance delivery points
  - : Introduced Probashi Banking
  - : Launch of Travel Related Services (TRS)
  - : 50<sup>th</sup> Branch, Bashundhara.
  - : 100<sup>th</sup> ATM (Alliance Franciase)
- 2009 : PDB collection via mobile banking
- 2010 : Launching of Probashi Biniyog
  - : Off-shore banking launched
  - : Co-branded ATM booth launching with Rupali Bank Limited
  - : Launching of Planet Card
  - : BRTA motor vehicle fees and taxes collect
  - : Launching e-commerce for online shopping

## **2.11 Banking Awards & Achievement:**

The Best Managed Bank” Award from The Asian Banker for achievement in the period 2011-2013

“Best Retail Bank in Bangladesh” from The Asian Banker received in 2011

### **FT Sustainable Bank of the Year 2010 Award:**

**BRAC Bank** has been awarded as the Sustainable Bank of the Year 2010 at the FT Sustainable Banking Awards 2010. The award was jointly announced by Financial Times newspaper and IFC at the award ceremony on 3rd June 2010 in London.

**DHL-Daily Star Bangladesh Business Awards 2008:**

**BRAC Bank** received the prestigious Business Award styled DHL-Daily Star Bangladesh Business Awards 2008 as ‘Best Financial Institution of the Year’ for its innovation in products, services, financial performance/ productivity, company management and contribution to Bangladesh’s development. BRAC Bank is a fully fledged commercial bank; yet, it has significantly contributed in the development of SME

sector by creating a unique model of collateral free SME lending, which enabled the SME entrepreneurs (the missing middle) to get easy access to finance. Furthermore, with its wide distribution network, BRAC Bank reached the greater population even at the distant corners of Bangladesh.

- **National Award as the Highest VAT payer for the financial year 2007-2008: BRAC Bank Limited** has recently received the prestigious award for being the highest VAT paying organization in national level in service industry.

■ **ICAB National Award:**

**BRAC Bank Limited** has been awarded ICAB National Award from Institute of Chartered Accountants of Bangladesh (ICAB) for one of the Best Published Accounts & Reports 2007 recently.

# **CHAPTER THREE**

## **SME LOAN ACTIVITIES OF BRAC BANK LIMITED**

### **3.1 Definition of Small & Medium Enterprise (SME):**

An SME is defined as, “A firm managed in a personalized way by its owners or partners, which has only a small share of its market and is not sufficiently large to have access to the stock exchange for raising capital”. SMEs ordinarily have few accesses to formal channels of finance and depend primarily upon savings of their owners, their families & friends. Consequently, most SMEs are sole proprietorships & partnerships. As with all definitions, this one is not perfect .Depending on context therefore definition of an SME will vary .Despite the common features globally, countries do not use the same definition for classifying their SME sector. Also, a universal definition does not appear feasible or desirable .SMEs have been defined against various criteria .The three parameters that are generally applied by the Governments to define SMEs are:

- Capital investment in plant and machinery
- Number of workers employed
- Volume of production or turnover of business

Other definitions are based on whether the owner of the enterprise works alongside the workers, the degree of sophistication in management, and whether or not an enterprise lies in the "formal" sector .The definitions in use depend on the purposes these are required to serve according to the policies of the respective countries/Governments.

A quantitative definition in each national context is, however, advantageous, as it makes it easier to target macro-level policies for a specific group of enterprises. The countries with such definitions have recorded a higher growth rate in the SME sector. This indicates that the more precise the definition, the more effective the transaction of policies intended to benefit the sector with actual results. In countries where no definition exists, the enterprises are in a disadvantageous position.

#### **Definition of SME as per Bangladesh Bank**

Organizations not a public limited company meet the following criteria:

**Table No 5: Definition of SME as per Bangladesh Bank**

<b>Enterprise</b>	<b>Criteria</b>	<b>Trading/Services</b>	<b>Manufacturing</b>
Small Enterprise	Number of Staff ( Not More than)	10- 25	25-99
	Fixed Asset ( Except Land & building)	BDT 5 Lac – BDT 10 Crore	BDT 50 Lac – BDT 10 Crore
Medium Enterprise	Number of Staff ( Not More than)	50-100	100-250
	Fixed Asset ( Except Land & building)	BDT 1Crore – BDT 15 Crore	BDT 10 Crore – BDT 30Crore



### **3.2 SME History of BRAC Bank:**

He wants to see poverty banished forever. This has been his single-minded pursuit in life. Ever since a devastating cycle wreaked havoc on the lives of the people and property in the coastal regions of pre-independence Bangladesh 1970, everything changed for a young chartered accountant. The young man was so moved by the death and destruction that he, along with some friends, dedicated to set up HELP to carry out relief and rehabilitation efforts. Later after their independence of Bangladesh the young man sold his flat in London and decided to set up a relief and rehabilitation center in the war ravaged Bangladesh. He never looked back.

He is Sir Fazle Hasan Abed, the founder and chairperson of BRAC, the world's largest NGO, arguably in terms of size and operation. BRAC has been working relentlessly to realize the hidden potential of mankind, especially the ones who are most deprived of opportunities.

It is this same vision that motivated him to come up with a bank that could realize the untapped potentials of this country. Traditionally banking in Bangladesh has mainly addressed the mid to large sized businesses or the professionals. When Sir Fazle Hasan Abed established BRAC

Bank he did it with the goal to serve the highly motivated group of entrepreneurs who wanted to break out of the vicious cycle of poverty and take control of their own future. We call them the “Missing Middle”. His long cherished dream of availing quality finance services to these small to medium businesses finally come to reality. BRAC Bank proud to be the pioneering and largest SME bank in Bangladesh, discharging over 10,000 crore taka in SME loan and helping fulfillment of more than 256,000 dreams that change hundreds and thousands of lives every day. SME banking division of BRAC Bank Limited has successfully made a mark in creating platform for small and medium entrepreneurs in “Access to Finance”, the key to the prime obstacle towards growth of SMEs. Since inception BRAC Bank upholds the motto to finance the “Missing Middle” the underserved market segment of SMEs. Years of market knowledge and understanding, committed resources, countrywide coverage and well aligned strategies have made the bank an expert in SME financing and the bank has successfully developed an examined and successfully model in SME financing in Bangladesh.

The bank has incorporated double bottom line approach in its operation –

- 1) Making profit by mobilizing fund from urban to rural areas.
- 2) Performing social responsibility by creating an entrepreneurial class.

Along with Small & Medium Enterprise financing, SME banking division is also actively working in creating awareness and imparting knowledge to SMEs about financial recordkeeping, dealing with modern banks and industry best practices in SME operation. In an attempt to ensure customer awareness and to strengthen the relationship with customers, SME banking division arranged informative campaigns and road shows for SMEs located across the country.

### **3.3 Vision of SME Banking:**

Remain the leader in SME banking, respected locally and globally while focusing on people, profit, and planet.

### **3.4 Financial Highlights of SME Banking Division:**

- The division has captured 5.87% market share within SME Banking arena of Bangladesh.
- Till date BRAC Bank has served 369,246 borrowers, amounting BDT 176,740 million through its customer touch point (SME Unit Offices, SME Sales and Service Centers, SME Krishi Branches, and Branches).
- Customer deposit grew by 47% in 2012 compared to 2011. Current level of deposit stands at BDT 14,193 million.
- Customer asset grew by 17% in 2012 compared to 2011. Current level of asset stands at BDT 44,529 million.
- Record breaking asset disbursement of BDT 463 crore was seen in October 2011, with a net asset growth of BDT 212 crore in the month alone.

### **3.5 CRYSTAL value leading to SME loan:**

**C** stands for being **Creative**, Be a person of innovative ideas in solving issues, thinking different ideas to reach one destination; do new associations between existing ideas or concepts for the organization's overall growth.

**R** stands for being **Reliable**, Be worthy of reliance or trust at work so everyone could depend on you.

**Y** stands for remaining **Youthful**, Be a person of freshness and vibrant characteristic at work. Feel young at HEART and project enthusiasm during performing duties.

**S** stands for being **Strong**, Be a person of willing to move forward and apply conscious choice, willpower, discipline and passion at work.

**T** stands for being **Transparent**, Be transparent at work at all level both internally and externally.

Show openness and honesty through communication to bring transparency.

**A** stands for being **Accountable**, Be accountable for own actions and take responsibilities for the outcome of the actions; be responsible and answerable towards customers, organization, regulatory bodies as well as the society.

**L** stands for being **Loyal**, Be loyal to the organization by being compliant at work, taking ownership and create belongingness which will carry your brand as your pride.

### 3.6 Highlights of SME Banking Division of BRAC Bank:

Table No 6: SME Banking Division of BRAC Bank

Year	2013	2012	2011	2010
Number of Unit offices	5,72	4,97	4,19	3,90
Number of Staff	2,019	1,909	1,820	1,623
No of Loan disbursed (cumulative)	250,851	2,30765	226,552	210,655
Cumulative Disbursement (in million BDT)	395,930	330,654		298,213
No. of outstanding Account	150,685	120765	110,765	101.230
Portfolio in amount (in million BDT)	59,302	48,202	41,231	38,204
Amount of Deposit (in million BDT)	2,666.4	23,12	2,130	1,921

e .g. Table created on data observations gathered from training

#### 3.7.1 Target Market of SME:

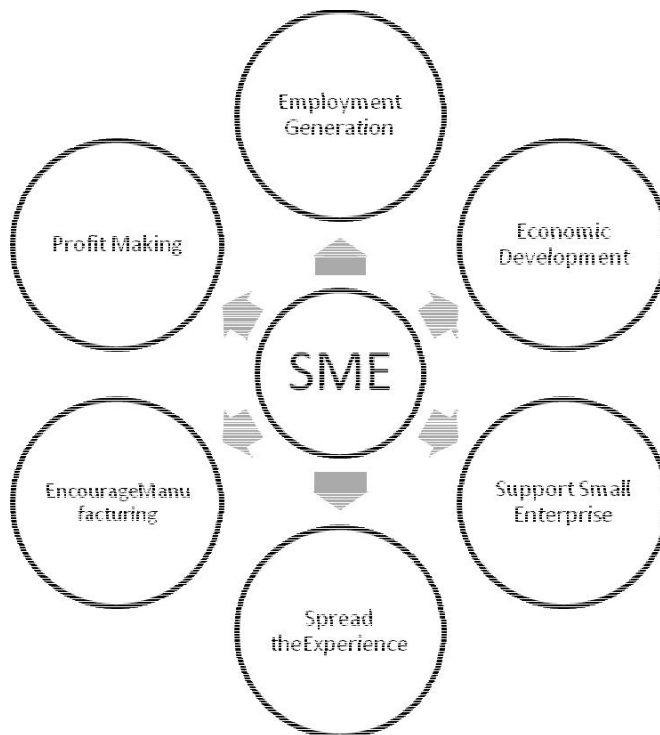
- ▣ Trading of grocery item
- ▣ Hardware
- ▣ Chemical products
- ▣ Sanitary ware
- ▣ Building materials (rod, cement, brick, paint, and others)
- ▣ Electrical and electronic items
- ▣ Imported foods (biscuits, cheese, juice, and such items)
- ▣ Light machinery
- ▣ Large tailoring business
- ▣ Weaving mills
- ▣ Bakery
- ▣ Printing house
- ▣ Feed mill
- ▣

- Dairy farm
- Fisheries
- Manual/auto rice mill
- Boutiques and parlors
- Restaurant
- Distributor of FMCG products/others
- Fish wholesaler
- Food grain wholesaler
- Wood processing/saw mills
- Many more...

### 3.7.2 Reasons of SME:

The main focus of BRAC Bank is to develop human and economic position of a country. Its function is not limited only to providing and recovering of loan but also try to develop the economy of a country.

So reasons for this program from the viewpoint of BBL



**Figure 4: Reasons of SME (figure created on data observations gathered from training)**

**a) 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.

**b) 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.

**c) Employment Generation:**

To create employment opportunities in the market .The bank gearing employment opportunities by two ways: Firstly, by providing loan to the small enterprises. Expanding, these businesses require more workers. Secondly, small and medium enterprise (SME) program requires educated and energetic people to provide support to entrepreneurs.

**d) 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. Entrepreneurs are satisfied by the service of the bank and making profit with guidance of the bank.

**e) Encourage Manufacturing:**

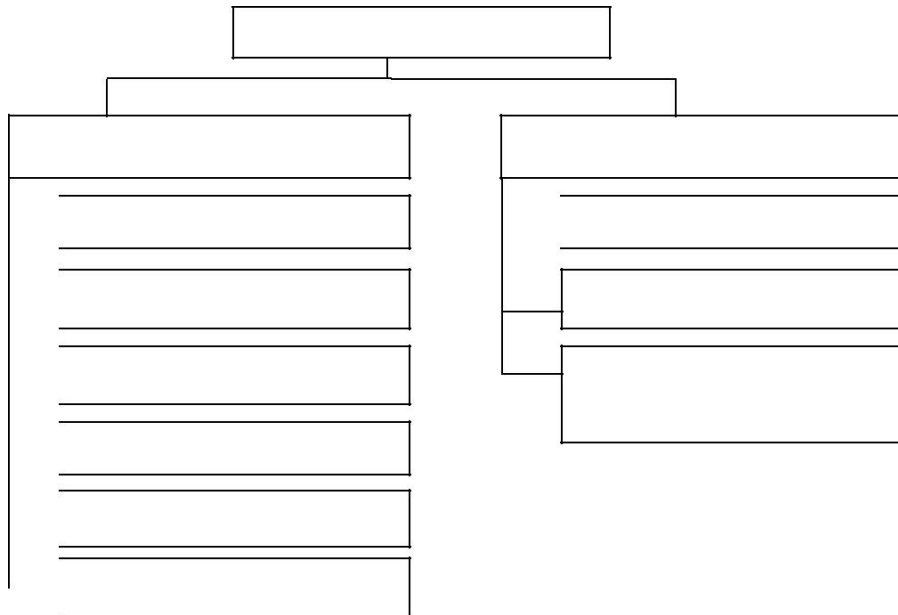
The focus of BRAC Bank Ltd. is to encourage manufacturing by the entrepreneurs who produce by purchasing various types of materials .CRO's try to educate them to produce material if possible because if they can produce in line of purchase profits will be high.

**f) 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. CRO's who are the driving force of SME division of BRAC Bank Ltd. also gather knowledge about various businesses and make stronger knowledge base.

### 3.8 Products of SME Banking:

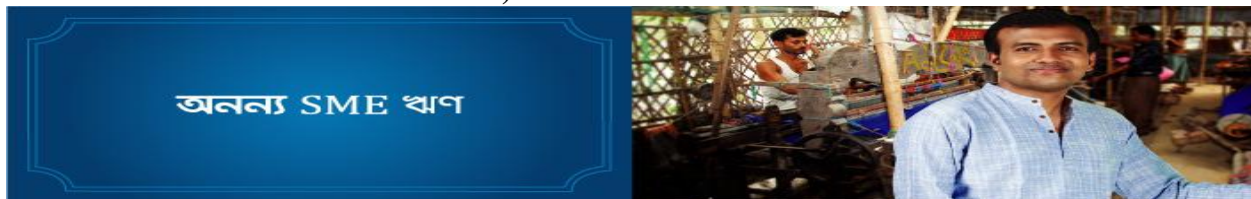
There are two types of products of SME Banking:



**Figure 5: SME Banking Products**

### Loan Products

#### 1) ANONNO SME Loan



ANONNO is a business loan to meet any kind of business needs, which starts from BDT 3 Lac to 10 Lac.

- No security required
- Easy installment
- Easy loan processing.

#### **Eligibility**

- Any kind of business having valid trade license, which has been operating at least 3 or more years.
- Sole proprietorship, Partnership or Private Limited company
- Small sized businesses (Production, Trading, Service, Agro based products and others)

## 2) APURBO SME Loan



“APURBO” is a loan facility for Small Entrepreneurs. To meet any kinds of business needs, APURBO is offering BDT 1 million to BDT 10 million loans against registered mortgages. Specialty of this loan Term loan and overdraft based on your business needs.

- Limited documents
- 10 Lac to 1 Crore Loans
- Easy installment and overdraft facility

### Eligibility

- Any kind of business having valid trade license, which has been operating at least 3 or more years.
- Those who have property/land/building

## 3) PROTHOMA SME Loan



Prothoma is a term loan for small scaled business operated by women entrepreneur, Maximum BDT 1 million is offered to meet business needs.

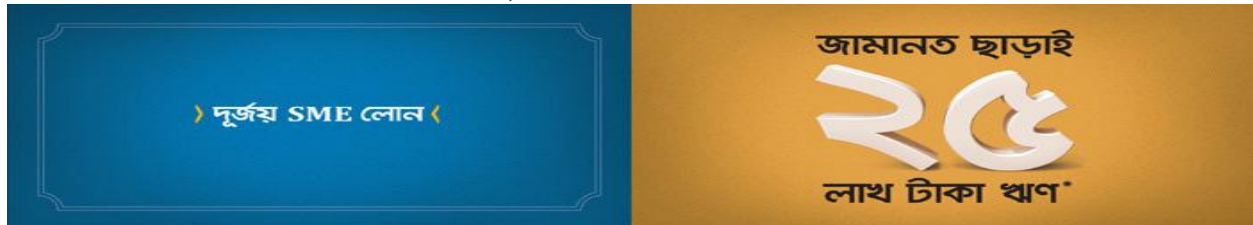
- No security required
- As low as 10% interest rate
- Easy loan processing



### Eligibility

- Any kind of business having valid trade license, which is at least 2 years of old
- Sole proprietorship, Partnership or Private Limited Company
- Small sized business (Production, Trading, Service and others)

### 4) DURJOY SME Loan



To meet business needs DURJOY is offering BDT 3 Lac to BDT 2.5 million Loans without any security.

### Specialty of this loan

- Up to BDT 25 Lac loan in the name of business
- Easy installment up to 5 years
- Convenient interest rate

### Eligibility

- Any kind of business having valid trade license, which has been operating for at least 3 years.
- Sole proprietorship, Partnership or Private Limited Company
- 1 year bank statement

### 5) SHOMRIDDHI SME Loan



To meet import-export related expenses, post import expenses, tax/duty payment, local bill purchase and working capital, SHOMRIDDHI loan is offering BDT 1 Lac to BDT 20 million.

- LC and LATR facility
- Revolving loan, overdraft
- Local bill discounting facility

**Letter of Credit (LC)/Loan against trust receipt (LATR)**

- LC opening facility: from BDT 1 Lac to BDT 20 million
- Up to 90% loan against LC

**Revolving Loan**

- Import duty payment or goods purchase facility
- Loan up to BDT 20 million

**Local Bill Purchase**

- Loan up to BDT 20 million in export

**Specialty of this loan**

- Easy loan processing
- Convenient interest rate
- Loan payment facility up to 180 days.

**Eligibility**

- Any kinds of businesses having valid trade license and which has been operating for at least 3 years.
- Sole proprietorship, Partnership or Private Limited Company.

**6) SHOKTI SME Loan**



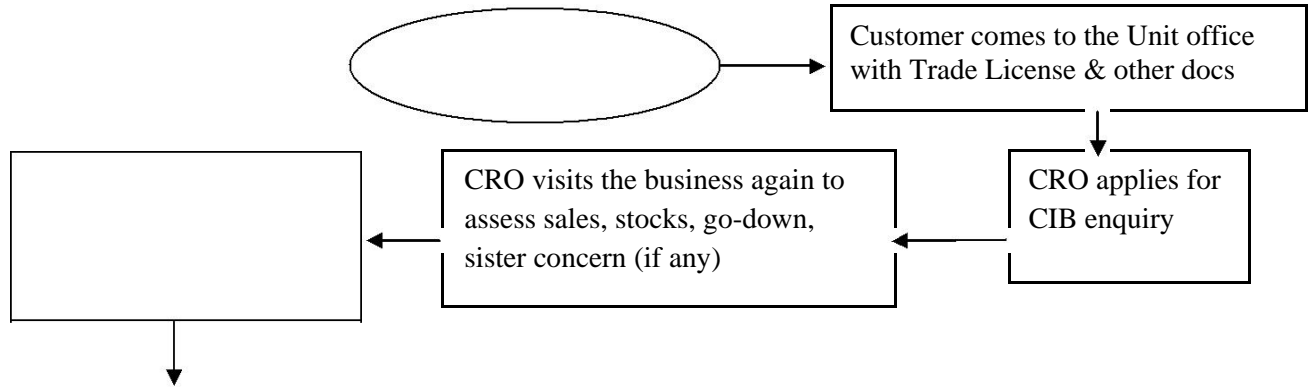
Business loan under which can avail BDT 1 million to BDT 10 million to meet your any kind of business needs.

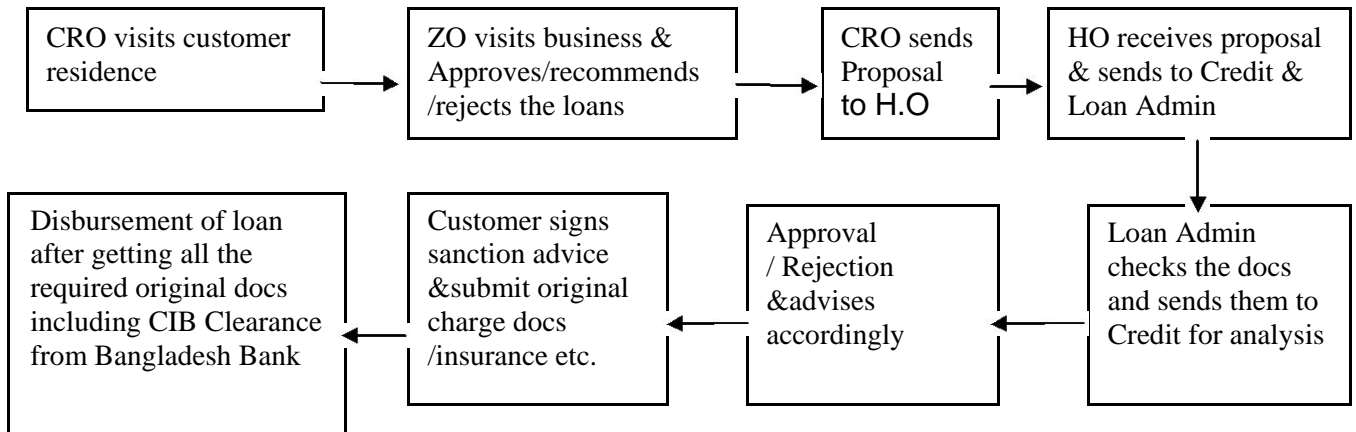
- Loan against partial security or fixed deposit
- At least 1 year bank statement.
- Overdraft Facility

## **Chapter Four**

### **SME Loan Disbursement Procedure**

#### 4.1 Flow chart for processing SME Loans:



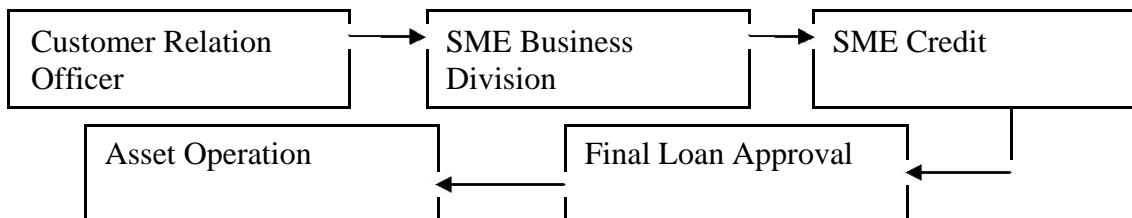


**Figure 6: SME Loan Process**  
(Figure created on data observations gathered from training)

#### **4.2 SME Loan Disbursement Procedure:**

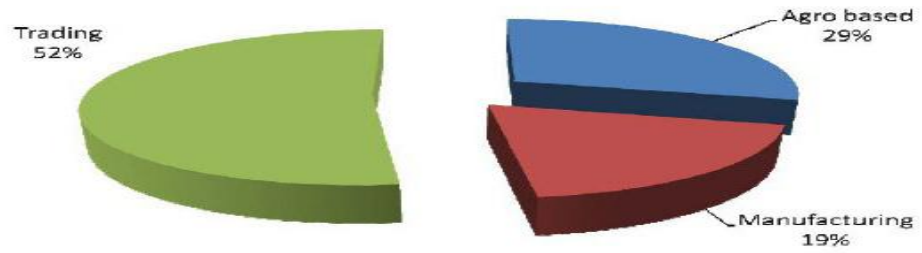
For SME loan operation, BRAC Bank Limited Ltd has in total 399 unit offices all throughout the country. The department is divided into three regions. Each region comprises of 6 to 7 territories. Territories are divided into zones and zones are further divided into unit offices. Currently there are 20 territories and 142 zones. The frontline employees of small business are called Customer Relationship Officer (CRO). More than 1,500 CRO's are working in the department. These CROs work for the Bank to converge clients for getting the SME loan.

**SME Loan process flow is shown below-**



**Figure 7: SME Loan Disbursement Procedure**

## Sector wise Distribution of SMEs



**Figure No 8: Sector wise Distribution of SME**

### **4.3 Terms and Condition 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:

**Table No 10: Loan processing fees**

Loan Amount	Loan Processing Fee
2 lacs to 2.99 lacs	Tk 5000
3 lacs to 5 lacs	Tk 7500
5.01 lacs to 15 lacs	Tk 10,000
15.01 lacs to 30 lacs	Tk 15,000

#### **4.4 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.

##### **Features of Some Key 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 the 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. It is the primary agreement between the Bank and the loan applicant. 2 Sanction Letters are being issued – original and duplicate. Original copy is issued for the customer preservation and duplicate copy is issued for the Bank as a token of customer’s acceptance on the same.

##### **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. BDT 20 stamp is used for DP note. The validity of DP Note is 3 (three) years.

##### **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 a letter in which the borrower requests the bank to disburse approved loan amount in favor of his/her business at the agreed rate of interest.

##### **Letter of Undertaking:**

The borrower hereby confirms to the bank that the equity of the company including loans from the director/shareholders shall be maintained at all times at a minimum of the loan amount. This amount will not be reduced or returned to the Directors/Shareholders



without the prior written consent of the bank, even when the accounts may be in clear credit in favor of the borrower.

■ **Letter of Hypothecation of Present & Future Assets:**

It creates 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 present stock of goods and that, which may increase from time to time in good condition in future. This hypothecation gives the bank the power to possess and sell the mentioned goods and stocks or claims the book debts in order to settle the borrower's dues to the bank.

■ **Letter of Personal Guarantee:**

This is a guarantee of a person or third party who is not the direct beneficiary of the loan/credit facility but is equally liable for the loan On behalf of the borrower; guarantor will be liable to pay all outstanding liability (principal + interest + other expenses) of the borrower if borrower fails to pay the same to bank. Guarantee is one type of contingent security. Non-judicial stamp of BDT 150 is to be affixed on Personal Letter of Guarantee.

■ **Letter of Installment:**

This is one type of undertaking in which the borrower agrees to pay the determined loan installment to bank on regular basis.

Letter of Installment contains the following information:

Issue date

Loan amount

Name of the borrower

Installment size

Sign and seal of the borrower. Only sign is needed in case of individual borrower.

**Common Documents Required for SME Loans:**

The following documentation compliance must be ensured by a guest to avail a SME loan:

- Approved Application Form
- Sanction Letter
- DP Note
- Letter of Hypothecation on Present & Future Assets
- General Loan Agreement
- Letter of Undertaking
- Personal Letter of Guarantee
- Letter of Disbursement
- Letter of Arrangement
- Letter of Installment

- Photocopy of Trade License/ Letter of Disclaimer
- Post Dated Cheque and Un-dated cheque
- Irrevocable Letter of Authority
- Pre-disbursement Audit Report/ CRM Risk Evaluation Sheet
- Rental Deed/ Possession Deed/Rent Receipt/ Title Deed /Lease agreement
- Fire Insurance Format
- Good Health Declaration (GHD) Form
- Debit & Credit Authority Form
- Debit Authority Form
- National ID/Photo ID : Business Owner and Guarantors
- Link A/C Opening Form ( applicable for only new borrowers)
- Acknowledgement letter of receipt of cheque ( by Zonal Manager)
- Mandatory Information Checklist- duly filled by the CRO with necessary signature of Zonal Manager (ZM).

#### **Land Related Securities Documentation Process:**

The following documentation compliance must be ensured for a registered mortgage loan besides the common documents:

- Original Title Deed/ Certified Copy of Title Deed with Drawing Receipt
- Original Duplicate Carbon Receipt
- Mutation Khatian
- Original up-to-date Khajna Receipt
- Non Encumbrance Certificate with money receipt
- Lawyer's Opinion
- Land Valuation/ Survey Report
- Certified Copy of Deed of Mortgage with Drawing Receipt
- Certified Copy of Irrevocable General Power of Authority with Drawing Receipt

#### **Important Points:**

**First Party Mortgage:** If the borrower himself is the landowner then it is a first party mortgage and the mortgage papers need to be signed by the borrower.

- Third Party Mortgage:** If the borrower is not landowner, then it is a third party mortgage and the mortgage papers need to be signed by the landowner.
- In case the land owner gives the Power of Attorney to a person, s/he may sign the documents for the mortgage on behalf of the land owner but the POA has to be registered and the clause has to be included in that POA that the land can be mortgaged against the loan.
- Each and every page of MDTD is needed to be signed.
- Enemy property is not acceptable for registry mortgage loans.

## **4.5 Risk Issues in SME Banking of BBL:**

There are various types of risk in SME banking, through our observation, discussion and scrutinizing the documents we have found different risk factor in SME loan in BRAC Bank Ltd.

### **Unsecured loan:**

Most of the SME loans are not backed by any collateral so these loans are very risky. In BRAC bank 90.46%-Annono, SME loans are unsecured so it's a significant risk for the bank because there is a huge chance of default.

### **Fund divert:**

Fund divert is the major risk in SME loan, sometimes entrepreneur applies for a loan by showing their existing business and after loan approval they are transferred or diverted the major portion of loan amount to invest in other business or using for personal consumption. As we know the interest rate in SME is quite high and if the entrepreneur diverted the fund then most of the time he/she is unable to pay the monthly installment.

### **Assessment Problem:**

Due to lack of experience and proper knowledge, CRO/officer wrongly assess the client or business as a result sometimes Clients gets loan more than actual requirement, which causes to misuse the funds and reasons for overdue. Some CRO are promoted as a ZM or Audit & Compliance officer so there is a chance for wrong assessment because the loan files are sends from their past unit office.

### **Environmental (Natural Climate):**

Due to some environmental factor i.e. Cydor, aila Floods, etc., Clients are unable to pay the loan or sometimes they are affected severely so that they are incapable of running the business and as a result Bank incurs the loss. For example in Cydor the total affected portfolio was 18 Crore for BRAC Bank.

### **Collection Procedure:**



BRAC Bank is providing SME loan throughout the country and have unit office in almost every Upizilla but they have not in every place only 56 branches. So they are disbursing and collecting loans through other correspondence bank like. Sonali, Janata, Agrani, Rupali, Pubali, City, National bank ltd. Sometimes CRO collecting loan installment from the clients directly and did not deposited on the right time or did not pay but send a fake SMS to the head office.

### **Aggressive marketing strategies:**

BRAC bank uses aggressive marketing strategies, for quick disbursement they approved up to 0.7 million in field level (ZM) and no centralized bank in Bangladesh approve this amount in the field level. The average monthly growth of SME loan is 1.7% which is the highest among the banks those are engage in SME business. In BBL above 90% SME products are unsecured.

## **4.6 Disbursement of SME loan**

### **Pre Disbursement Manual Activities:**

-  **Prepare loan file:** Receiving all documents, Loan Administration Division prepare a loan file with all documents received from the unit office.
-  **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 Tk 150/=)
  - Letter of hypothecation book debt and receivable (With stamp of Tk 150/=)
  - Letter of disbursement
  - Photocopy of trade license (attested by CRO)
  - Insurance (Original copy)
  - Blank claue with signature (one cheque for full amount and others same as no of installment on Favor of BRAC BANK LIMITED, 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)



**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. If any document error found then the loan administration division asked the CRO to send the require documents and the file stored to the loan administration division.



**Prepare disbursement list:** The loan administration division lists all new sanctioned clients' details and send a request to the treasury through internal mail.



**Disbursement of the amount:** Sending the list to the treasury of BRAC Bank Limited for disburse the amount, the treasury disburse the amount to the client through the mother account of the clients bank. BRAC Bank Limited disburse amount through any of the following banks corporate branch nearer the BRAC Bank Limited 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
- Rupali 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



**Initial ID generation:** After sending the list to the treasury, the loan administration division generates an initial ID against the borrower. Entering required information, the banking software MBS automatically provide a ID no for the borrower.



**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.



**Cost center assign:** The loan administration division enter the following information in MBS:

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



**Risk fund collection:** The loan administration division opens a different account risk fund of the client. This is known as loan processing fees. Receiving the risk fund, the loan

- administration divisions print voucher and posting the voucher in the MBS. The amount of risk fund is not refundable.

Activation of the loan: Loan administration division do 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:**

- **Repayment schedule sent to unit office:** Completing the disbursement of the sanctioned amount the loan administration division prepare a repayment schedule in FINACAL 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.
- **Loan details FINACAL entry:** The loan administration division enters details information regarding the loan in FINACAL. Each officer has an ID no. in FINACAL and if there is any error found then the respective officer would be responsible for it. So everybody remains alert at the time of FINACAL entry.
- **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. But If these stamps are not canceled then the judgment may not on favor the bank.
- **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.

## **4.7 Closing Procedure 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 division takes a paper print 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. **Obtain approval from the concern authority:** it is require the permission of concerned authority to close the loan. If concerned authority approved the closing of the loan account then next initiatives are taken.
5. **Checking in Finacle:** 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 slips 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 concern 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.

## **CHAPTER FIVE**

# **RECONCILIATION PROCESS**



## **5.1 Reconciliation for Local bank Accounts:**

The SME, Probashi and Cash management business of BRAC Bank Limited are 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 Operations Risk. There is a separate devoted team under the unit for identifying the unmatched items, analyzing the same and guide the initiating departments to do the rectification. Reconciliation section of Operations Risk 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.

In order to facilitate Foreign Currency Transactions BRAC Bank has established a network of correspondent relationships with overseas branches of internationally reputed banks. For this purpose the bank also maintain account with the foreign correspondents in important foreign countries. Foreign Currency Current accounts maintained by us with correspondent's abroad are termed by us as "Nostro Account" meaning "Our Account with you". The foreign correspondents, however, describe our account maintained by them as "Vostro Account".

Similarly our foreign correspondents may at time want to maintain N/R Taka account with us. These are their Nostro Account but from our point of view Vostro Account – "Your account with us".

The name of each foreign correspondent. For example, if a Nostro account is maintained in US dollar with SCB in New York, a contra our account under the style Standard Chartered Bank NY is opened in our book ledger and other books of account. Debit entries in the Nostro account are reflected in our book ledger as credit items, while credit entries in Nostro account are reflected as debit items in the our book ledger.

Foreign Currency Account (Nostro Account) is credited by our correspondents with the proceeds of our export bills, instruments sent to them for collection or placement of cover fund etc. They also debit our account for payment of L/C reimbursement and other payment instructions etc. for each Nostro Account a corresponding foreign book Ledger on the basis of daily SWIFT/monthly statement received from them is maintained at Head Office in the name of each individual foreign correspondent bank separately for each foreign currency.

On receipts of SWIFT copy from the foreign correspondents regarding realization of export bills, collection proceeds etc. as well as payments made against L/C reimbursement, inward and outward remittance and other payment instructions, Treasury Operations would advise the same to the respective departments. Upon receipt, departments would respond the entries by debit or credit to our book ledger maintained in the name of the concern foreign correspondent

On receipt of the statement from the foreign correspondents it may at times be observed that responding debits entries in our book ledger had yet been passed against some credit entries shown in the statement of account. This may be due to no receipt of relative credit advice from the foreign correspondents or any discrepancies. The credits given to our Nostro Account by the foreign correspondent, against which no corresponding debit entries have yet been passed in the our book ledger are known as “outstanding Credit Entries” as per statement and are therefore, required to be reconciled by the Reconciliation Section. The debit entries raised by our foreign correspondents in our Nostro Account abroad against which no corresponding credit entries have yet been passed in the our book ledger are known “outstanding Debit Entries as per statement” requiring reconciliation by the Reconciliation Section.

The reason of un-reconciled entries is mainly:

- Receipt of incomplete reference from the foreign correspondent
- More than one debit/credit entries inadvertently raised in our book ledger either at our end or in the Nostro Account at end of foreign correspondent.
- Several transactions are amalgamated in one particular debit/credit entry without furnishing full particulars of individual transaction in the debit/credit Advice.
- Communication gap among departments

For all these reasons reconciliation of Nostro Account with our Account becomes all the more necessary.

On receipt of the statement of the Nostro Account from the foreign correspondents, the debit/credit entries in the statements are checked and marked off after comparing each entry against those appearing in the Our Book Ledger. The debit entries in the statement are marked off against the corresponding credit entries in the our book ledger of the foreign correspondent by putting the date of responding of particular entry, while the credit entries in the statement are marked off against the corresponding debit entries on the foreign banks our book ledger in the same manner. This process is known as matching. Thereafter the entries found unmarked as per foreign banks our book ledger and as per statement on Nostro Account, are noted down in the reconciliation statement.

## **5.2 Statement collection For Foreign bank's Accounts:**

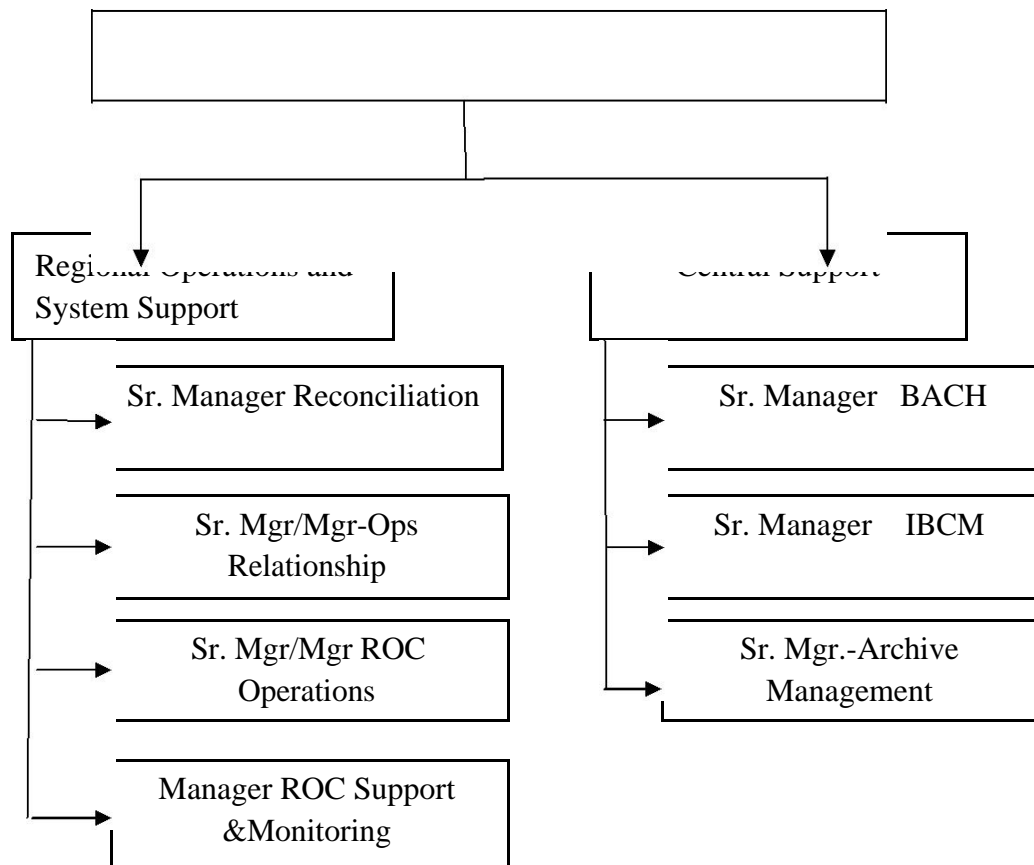
### **For Local Bank's**

FIS operations unit is responsible for collecting the Bank statements from correspondence Bank. Statement of mother account is provided on weekly basis and child account by 7th of the following month. After receiving a/c statements FIS will deliver to original statement to reconciliation by 10th of every month for reconciliation and preserve a copy duly received by Central ops. If there is any pending delivery or any problems found in the bank statements, FIS will communicate with the concerned CRO/ZM of SME for sending the corrected copy to Reconciliation within 05 working days from the date of receipts. **See APPENDIX 2**

### **For Foreign Bank's**

The outstanding credit entries in the foreign banks our book ledger as well as in the statement of Nostro Account maintained with the same correspondent, are noted down on the right hand side while the outstanding debit entries in the foreign banks our book ledger as well as in the statement of Nostro Account maintained with the same correspondent, are noted down on the left hand side of the reconciliation statement. The reconciliation statement is considered balance when the grand total of the debit side of the reconciliation statement agrees with the grand total of the credit side.

### 5.3 Department Structure:



**Figure No 9: Department Structure**

### 5.4 Reconciliation Process:

- After receiving Bank statement from FIS Ops, Reconciliation Team takes print of the GL account and cross/match all entries between Bank statements and GL account to identify unmatched entries.
  
- Reconciliation statements of all unmatched entries are prepared by identifying team and send to analyzing team for adjustment.

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

## **5.5 SME Loan Recovery Procedures:**

- 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 a SMS through mobile phone or a Fax to the loan administration division informing the repayment. Loan administration divisions collect these SMS /Fax and take a paper print of these SMS.
- Entry the installment information to Connect Plus:** Loan administration division entry the repayment installment information to the banking software Connect Plus.
- Print Voucher s:** Completing the entry, the loan administration division takes paper print of all vouchers in a prescribed yellow paper.
- Cross Check SMS/Fax and solve problems (If any):** The loan administration is responsible for all entry in Connect Plus. If the there is any error found in future then the respective officer who is entering these information in Connect Plus will be liable for it. It will be easily identified by user ID. So they always aware to ensure the correct entry. Completing the entry of information, they print a hard copy and crosscheck it with the SMS/Fax. If there any error found then it is solved and ensure 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 Connect Plus. If one time posted, it is not rectifiable without permission of the higher authority. So the loan administration is always aware regarding the recovery procedures of SME loan.

## CHAPTER SIX

# SWOT ANALYSIS

## **6.1 Strengths:**

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.








**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 led 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 Sir. 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 sufficient physical facilities and equipments to provide better services to the customers. The bank has computerized and online banking operations under the software called Finacle 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.

### **Strengths of SME Division**

-  Brand image
-  Trained sales force
-  Good quality staff and service
-  Dynamic human resource
-  Countrywide distribution network & coverage
-  Continuous development in creating innovative products
- 

Unique loan approval process & monitoring

- Strong credit & collection framework
- Robust risk management system

## **6.2 Weaknesses:**

**Lack of advertising and promotion of SME loan:** This is a major setback 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.

## **6.3 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. **Challenging Product line:** In this competitive environment BBL must expand its product line to enhance its sustainable competitive advantage.

**Available product sales and service center:** With its proper and useful operational network, there is an opportunity for BBL to further expand its branches in many remote and new location of the country which will deliver services to customer and earn a healthy profit for the bank.



## **6.4 Threats:**

**Competition:** Competition is the threat of any business. At the age of modern business the competition is increasing. Every bank's 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 is 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 on slaughter of foreign banks.

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

**Leasing companies:** Leasing companies like IDLC and others are also competitor for BRAC Bank.

## **CHAPTER SEVEN**


### **FINDINGS RECOMMENDATION AND CONCLUSION**

## **7.1 Findings:**

BRAC Bank Limited, as we know, is one of the fastest growing banks in Bangladesh. Bank Limited is the largest commercial SME Bank in the country and 4<sup>th</sup> largest SME Bank in the world in terms of outstanding loan amount. SME banking which has made the performance of this bank so enlightened is its core product to offer to the small and mediocre business entrepreneurs. SME loan is a loan given especially to entrepreneurs who are experienced small or medium businessman, more or less middle aged, at least moderate income generated and who have reasonable personal or family asset. In fact no businessman could think ever before that they could take loan so easily, without any collateral and without going to bank. But BRAC Bank Limited has made this improbable process so successfully through SME banking. Finally, I would like to mention certain factor which does not matched with modern banking system but it's regularly practiced in this particular department-














- Unit offices send hand written Bank Statement. Loan closing statement is also hand written.
- There are some needless unite office which actually work as a burden for both bank & employee.
- Lack of motivation towards the employee.
- Some cases the quality of the employee is not up to the mark.
- 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.

-  Executives of Central Support and Operations Helpdesk Department have to perform long time duties. They have to start at 10 am and stay until 7 pm. They are not satisfied about their remuneration.

## **7.2 Recommendation:**

Considering all the study and analyzing all the data I think the following suggestion will benefit both BBL and its customers.

-  Increase the number of Installment
-  Careful asses the loan proposal for bigger loan
-  Commit resources specifically for growth of SME business.
-  Implement strict and continuous monitoring system of the whole recovery process.
-  Train the Customer Relationship officers more comprehensively and realistically so that customers may not face any trouble while getting and repaying the loan.
-  Special motivation program needs to be taken to motivate the Customer Relationship officers, because from my personal observation I have seen that their task is very difficult. So, to obtain the full efficiency they need to be well motivated.
-  Analyze customers' behavior that what type of customer makes default and stop giving them SME loan.
-  Risk Management department's audit report should be more strict and reliable so that possible defaulter may not get the loan.
-  Whether the borrowers are utilizing the loan on the right purpose should be ensured.
-  Have to provide more computer and internet facilities in the unit offices so that CRO's can communicate with the department in a short period of time.
-  Loan closing procedure should be computerized. So that customers can get service in short time.
-  Before establishing a new SME unite office, banks needs to be more efficient to find out an approximate potential clients which will help to reduce extra harassment.
-  For customer repayment purpose other banks transaction of BBL needs to be reduce. It will at a time reduce all harassments & increase profit.

### **7.3 Conclusion:**

SME plays a vital role for our economy and it add significant portion to our GDP. BRAC Bank is the pioneer in SME banking and nowadays most of the commercial banks are introducing SME loans for providing credit support to the SME entrepreneur. BBL provides SME loan to support the SME business and made a significant profit. Though there are some risks in SME business because of no collateral is required for loans but still it generates more profit than other business sector of banks. BBL charges high

Interest rate for SME loan which cuts the maximum profit or sometimes full that generates SME entrepreneur by using loans. Loan Interest rate, repayment size, periods, market condition, nature of business and entrepreneur experience are directly affects repayment of loans or the repayment capabilities of clients. The recovery rate of this loan is 97%, which is extremely good in comparison to any other bank's recovery rate. BRAC Bank Limited has made it possible as the loan is given to experienced, small and mediocre entrepreneurs most of whom are middle aged, slightly educated and having moderate income and this class of people is very loyal. But they can serve this class of customers with more commitment and loyalty and they can turn the recovery rate to 100%.

In my study I have seen that if installment period is longer than recovery rate is high. So BBL should decrease the interest rate, size and increase periods as well as carefully assess the business, requirements of loan, and willingness of clients to repay loans as a result it helps the entrepreneur to repay timely and helps the bank to reduce their credit risk and it also helps them to dominate in SME Loan sector more strongly.

## APPENDIX

### Appendix 1

#### SME Network Coverage of BBL



Appendix 02:

**অগ্রনী ব্যাংক লিমিটেড**

Keranihat শাখা

নাম ও ঠিকানা: BRAC BANK LTD.  
Keranihat, C/O.

চলতি/সঞ্চয়ী  
হিসাব নং 635

তারিখ	বিবরণ	চেক নং	উত্তোলন	জমা	স্থিতি	স্বাক্ষর
11.09	opening balance			135197	135197	
11.09	By Cash	1101600058163001		21730	156927	
11.09	✓	1401601252207001		28210	185137	
11.09	✓	1101601006322001		32610	217747	
11.09	✓	1402600706792001		50055	267802	
11.09	✓	1101600881604001		27435	295237	
11.09	✓	1402600878758001		28210	323447	
11.09	✓	1101600101005001		21180	344627	
11.09	✓	1402600870401001		42015	386642	
11.09	✓	1101601012492001		32650	419292	
11.09	✓	1402600758465001		21605	440897	
11.09	Fund transfer		400510		=40387	
6.11.09	my cam	1101600576371002		27375	=67767	
6.11.09	Total balance as on dated				=67767	

Figure No 10: Bank Statement from other local Bank

## Abbreviation

Short form	Full Form
ATM	Automated Teller Machine
AOD	Asset Operation Department
BRAC	Bangladesh Rural Advancement Committee
BBL	BRAC Bank Limited
BRS	Business Relationship & Service
BDT	Bangladeshi Taka
BACH	Bangladesh Automated Clearing House
CRYSTAL	Creative, Reliable, Youthful, Strong, Transparent, Accountable, Loyal
CSD	Consumer Service Delivery
CIB	Credit Information Bureau
CRO	Customer Relationship Officer
CEO	Chief Executive Officer
DSE	Direct Sales Executive
ERM	Enterprise Risk Management
GABV	Global Alliance for Banking on Values
HRD	Human Resource Department
IT	Information Technology
IFC	International Finance Organization
IBCM	Inter Branch Cash Management
MBS	Millennium Banking System
MIS	Management Information System
SME	Small and Medium Enterprise
ROC	Regional Operating Centre
NGO	Non Government Organization
LC	Letter of Credit
LATR	Loan against trust receipt
ZM	Zonal Manager
SWOT	Strength, Weakness, Opportunity and threats
MANCOM	Management Committee
CDM	Cash Deposit Machine
ICAB	Institute of Chartered Accountants of Bangladesh



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