

# United International University



## Internship Report

On

## “An Analysis of SME Loan Activities and Retail Banking of BRAC Bank Limited”

### Submitted To:

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**Date of Submission: 17<sup>th</sup> June 2022**

# Letter of Transmittal

17 June 2022

Mohammad Amzad Hossain  
Assistant Professor- AIS  
School of Business & Economics

**Subject: Submission of Internship Report**

Dear Sir,

It gives me great pleasure to submit the report "An Analysis of BRAC Bank Limited's SME Loan Activities and Retail Banking." As part of my Internship at BRAC Bank Limited, Head Office Gulshan, I am submitting this Internship Report. The report is written in accordance with your directions and techniques.

The report's purpose is based on my work and the functions of BRAC Bank Ltd.'s SME Division and Retail Banking.

All our efforts will be fruitful if you accept the report.

Thanking you

.....

Name:

Maisha Murshad

ID – 114152008

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# Supervisor's Certificate

This is to confirm that Maisha Murshad, ID 114152008, Department, BBA in AIS, completed the Internship report entitled "An Analysis of SME Loan Activities and Retail Banking of BRAC Bank Limited.

This Internship report was created under the supervision of Mohammad Amzad Hossain, Assistant Professor- AIS, School of Business & Economics and is a record of genuine work that was completed satisfactorily.

.....

Mohammad Amzad Hossain  
Asst. Professor-AIS  
School of Business and Economics  
United International University

## Student Declaration

I solemnly declare that the work provided in this Internship report on "An Analysis of SME Loan Activities and Retail Banking of BRAC Bank Limited" was completed under the supervision of Mohammad Amzad Hossain, Assistant Professor- AIS, School of Business & Economics. This report has never been submitted before to any other university, institution, or organization for any other academic qualification, certificate, diploma, or degree.

The work I've presented does not infringe on any existing copyright, and no part of my report is plagiarized in any way from previous work, whether for a degree or not. I also agree to hold the department harmless from any loss or damage resulting from my failure to comply with the preceding commitment.

.....

Name- Maisha Murshad  
ID – 114152008  
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# Acknowledgement

First and foremost, I would want to express my heartfelt gratitude to "almighty God," the creator and merciful, who has given me the power, wisdom, and endurance to successfully complete my report on time.

It was a great joy to work on the paper "An Analysis of BRAC Bank Limited's SME Loan Activities and Retail Banking." I owe a huge debt of gratitude to Mohammad Amzad Hossain, Assistant Professor- AIS, School of Business & Economics, who provided me with invaluable help and pointed me in the proper route so that I could finish my internship report.

I'd want to express my gratitude to everyone who assisted me in preparing this report. Most of the information came from my observations.

I'm also grateful to the authors, researchers, and article writers whose books and journals assisted me in successfully completing my study on BRAC Bank Ltd.'s SME products, disbursement, and recovery, as well as client retail banking expectations.

# Executive Summary

The SME and Retail banking are two crucial segments of Banking industry. Recently commercial banking is focusing on these two different segments to augment their financial position. Hence management and operation of these two sectors has become an integral part of the bank's day to day operation and these two sectors is gaining its popularity in this era of modern globalization. Therefore, the objectives of the study are to study & to analyze the SME and Retail Banking of BRAC Bank, to identify the problems & to recommend policies to overcome the problems of SME and Retail Banking. Both primary & secondary data are used to prepare this report.

This report is divided into five chapters. The **first chapter** of this study deals with introduction that presents the objectives, Methodology, Scope of limitation of the study. To understand the Bank on which the study is carried on, the **second chapter** of the study deals with some theoretical concept about Profile of BRAC Bank. Its vision, mission, and overview of BRAC Bank. The **third chapter** is about the conceptual framework of SME activities of BRAC Bank. It is about the different types of analysis and findings on evaluation on investment & activities and Obstacles and Challenges faced BRAC Bank Limited in SME. The **fourth chapter** is about Retail Banking Products and Service. The **fifth chapter** is about conclusions and recommendations which are drawn by analysis of whole study.

The main findings of the study are as follows:

The age of the borrower, clients seek to lower their interest rate and lengthen their loan, the recovery rate has declined each year, The large quantity of documents in the helpdesk causes delays in the disbursement process, etc.

Some recommendation of the study are financing, the age, experience, income, and previous loan history of the entrepreneurs should be prioritized and thoroughly studied. Because these factors have a significant impact on loan recovery, BBL should launch some promotional activities and heavily publicize their SME products to the public, as well as inform them that BBL is a bank, just like any other bank, and not an NGO, SME product features should be more appealing than those of competitors to reduce risk and attract more potential customers. To do this, BBL should conduct periodic product research on competitors' offerings, by taking advanced steps in the manner of disbursement, charge documents, and approval process, bottlenecks or impediments should be addressed.

# Table of Contents

Chapter-1 .....	1
Introduction.....	1
1.1 Introduction.....	2
1.2 Origin of the Report .....	2
1.3 Objective of the Report.....	3
1.4 Background of the Report.....	3
1.5 Methodologies of the Report Data collection: .....	4
1.6 Limitation of the Report.....	5
Chapter-2 .....	6
Overview of Organization.....	6
2.1 Overview of the BRAC Bank Limited.....	7
2.2 Corporate Vision.....	7
2.4 Products and Services .....	8
2.4.1 SME Banking.....	8
2.4.2 Wholesale Banking .....	9
2.4.3 E-Banking .....	10
Chapter-3 .....	11
3.1 Define SME .....	12
3.2 Definition of SME as per Bangladesh Bank .....	12
3.3 SME financing in Bangladesh .....	16
3.4 SME Banking: BRAC Bank .....	17
3.5 Selection Criteria for SME loan.....	18
3.6 SME Banking System.....	20
3.7 Loan can be repaid in two ways.....	20
3.8 Products of SME Banking .....	22
3.9 Competitive Advantages of SME'S From Bank's Perspective.....	23
3.10 Disadvantages of SME From Bank's Perspective .....	23
3.11 Importance of SME as a Whole .....	24
3.12 Importance of SME.....	25
3.12.1 Economic Development.....	27
3.12.2 Employment Generation .....	27
3.12.3 Profit Making.....	27
3.12.4 Spread the Experience.....	27



3.13 SME Products .....	28
3.13.1 Corporate Finance .....	28
3.13.2 Time Loan .....	28
3.13.3 School Banking .....	29
3.13.4 Agriculture Loan .....	30
3.13.5 Supplier Finance .....	30
2.4 Sector wise Distribution of SMEs.....	31
3.15 Obstacles and Challenges faced BRAC Bank Limited in SME.....	31
3.15.1 Absence of High Technology .....	32
3.15.2 High Employee Turnover.....	32
3.15.3 Lack of Skills Entrepreneur .....	32
3.15.4 Trade License.....	32
3.15.5 Poor Physical Infrastructure.....	32
3.15.6 Employee Skills .....	32
3.15.7 Lack of Information .....	33
3.16 Steps Taken to Overcome the Obstacles To solve the challenges, Bank began to take the following steps: .....	33
3.16.1 BRAC Bank started to expand their SME network .....	33
3.16.2 Training Session for employees.....	33
3.16.3 Orientation Session for Borrowers.....	33
3.16.4 Tried to Overcome Financial Constraint.....	33
3.16.5 Educate the Entrepreneurs .....	33
3.16.6 Employee Commitment .....	34
3.16.7 Advancement of Technology .....	34
3.17 Different Business Wings of SME Banking .....	34
3.17.1 Women Entrepreneur Cell (WEC).....	34
3.17.2 Manufacturing Business Unit (MBU).....	34
3.17.3 Supplier and Distributor Business Unit (SDF) .....	34
3.17.4 Commercial credit unit (CCU).....	35
3.17.5 Deposit Mobilization Unit .....	35
3.18 SME Loan Process Flow.....	35
3.19 Terms and Condition of SME Loan.....	36
3.20 Closing Procedure of SME Loan .....	38
3.21 Analysis .....	40
3.22 Disbursement of SME Loan.....	44
3.23 Achievement of Annual Target.....	45

3.24 Overall Analysis and Interpretation of SME Loan .....	47
<b>Chapter-4</b> .....	<b>49</b>
4.1 Retail Banking .....	50
4.2 Retail Banking Products and Services .....	50
4.2.1 Deposit products .....	50
4.3 The following are the key CASA products .....	51
4.3.1 The following are the primary High Net Worth products.....	54
4.4 Loan Products .....	56
4.5 Products Cards .....	56
4.5.1 Types of Products .....	56
4.5.2 BIN.....	56
4.5.3 Description of the product.....	57
4.5.4 Staff Card.....	58
<b>Chapter-5</b> .....	<b>59</b>
5.1 Findings .....	60
5.2 Recommendations.....	61
5.3 Conclusion .....	62
References.....	63

# Chapter-1

# Introduction

## 1.1 Introduction

BRAC Bank Limited is a government-owned commercial bank that provides a wide range of services. Both domestic and international institutional investors hold it. The bank's main purpose is to generate chances and seek market niches that aren't traditionally served by banks. BRAC Bank's on-line banking platform aims to provide "best-in-class" services to its diverse spectrum of customers across the country. BRAC Bank is currently one of the fastest growing banks in the country. BRAC Bank is now recruiting exceptional goal-oriented, motivated employees for a variety of business activities to support the bank's projected expansion of its distribution, network, and broad business areas. The bank wants to be financially successful as well as socially responsible. It focuses on market and business prospects while also assisting BRAC and other stakeholders in the creation of a progressive, healthy, democratic, and poverty-free Bangladesh. It contributes to the economic and social well-being of communities, as well as supporting people in accomplishing their financial goals. The bank maintains high standards in everything it does for our customers, shareholders, acquaintances, and communities, which are the foundations of our company's future success.

## 1.2 Origin of the Report

The report is divided into three sections. The first section is about the organization, which I discussed briefly. The second section is about my work, and it describes what I did in the workplace. Even though I worked on an Internship for the SME Reconciliation Department, I was also responsible for the reconciliation process. In this section, I discussed how BRAC Bank provides SME banking services through its broad network, as well as why market concentration and product diversification are regarded the most effective tactics for growing a small business.

### 1.3 Objective of the Report

#### **Board Objective:**

The study's overall goal is to create a comparative image of BRAC Bank Limited's SME Loan as well as to determine the present drawbacks of SME Loan aperiodic targets.

#### **The specific objectives of the study are:**

- Describe the SME Loan's thorough operational procedure as well as the accompanying benefits.
- To learn more about the SME Loan proposal.
- To determine the issues with a SME loan.
- To make some proposals for a better BRAC Bank SME Loan potential.

### 1.4 Background of the Report

BRAC Bank Limited began operations on July 4, 2001, with its origins in BRAC - Bangladesh Rural Advancement Committee. BRAC is regarded as one of the most successful non-governmental organizations in the world.

BRAC Bank was founded as a result of the success of BRAC microfinance. Bangladesh will not be able to create the large middle class that is necessary for social stability until modern, competitive financial services are readily available, including credit in amounts, terms, and conditions that small businesses can access, according to the Chairman, Sir Fazel Hasan Abed. As a result, the BRAC Bank Limited was formed to meet the requirement for large-scale funding, which would not have been viable with BRAC microfinance alone.

With a double bottom line of vision, BRAC Bank was the fastest growing local bank in 2004 and 2005. This organization aspires to combine business with social responsibility to benefit the people of the country. Bangladesh Rural Advancement Committee (BRAC), the main organization, has been fighting for the improvement of the poor since the country's independence. BRAC Bank's strategy is also built on

assisting individuals who are poor while still making a profit by delivering high-quality financial services. As a result, small and medium businesses account for half of the bank's total loan portfolio. It has been discovered that there is a part of the population who does not have access to cash, but who, if given funds, can flourish in their own small and medium firms and therefore contribute to the economy's development.

BRAC Bank is now regarded a third-generation bank, offering a full range of financial services through a lucrative, efficient, courteous, and modern fully automated on-line service. It has offered a fully integrated online banking service to deliver all types of financial services from any of its conveniently positioned branches since its founding.

### 1.5 Methodologies of the Report

#### **Data collection:**

Data and information are gathered from a variety of primary and secondary sources, as listed below.

Data from primary sources:

- In-person examination
- Data analysis
- Informal interview with officers and client

Secondary Data Sources:

- BBL's financial report
- Bank paperwork
- Internet

## 1.6 Limitation of the Report

A number of roadblocks have hampered the research -

1. For outsiders, data from BRAC Bank is very secret, and software access is not offered.
2. Time is also a major barrier in this study. In terms of time, the scope of this report is enormous.
3. It was tough to communicate with clients because many of them were unable to provide accurate information.

# Chapter-2

# Overview of Organization



## 2.1 Overview of the BRAC Bank Limited

BRAC Bank Limited is a full-service commercial bank with domestic and foreign locations. BBL is a new generation of commercial banks that launched operations on July 4, 2001, with the goal of becoming the market leader by providing a comprehensive range of banking services tailored to the needs of modern and dynamic banking businesses, as well as encouraging broad participation in the Bangladesh economy through high-quality banking services. BRAC Bank benefits from the fact that BRAC, the world's largest private development organization, is a major shareholder, as the bank's objective is aligned with BRAC's.

BRAC Bank's mission is to increase access to economic possibilities for all persons and businesses in Bangladesh, with a particular focus on currently underserved firms from rural to urban areas.

BRAC Bank is surviving in the big banking world thanks to its innovative and competitive offerings, and it is the only local bank that offers fully integrated online banking. Corporate Banking Division, Retail Banking Division, and Small and Medium Enterprise Division are the four key business divisions of BBL (SME).

It has created a new and one-of-a-kind Remittance Service under the style and term "Secure & Easy Remittance Service" as part of the whole banking solution (SERS). The program's goal is to create a simple and secure remittance service that will allow consumers to send money without having to worry about hassles or delays. The SRS would ensure secure and only 24-hour lead time remittance delivery everywhere in Bangladesh by leveraging the BRAC's countrywide network of more than 1100 field offices.

## 2.2 Corporate Vision

Building a lucrative and socially responsible financial institution that focuses on market and business opportunities with high growth potential, assisting BRAC and its shareholders in realizing their goal of a "just, enlightened, healthy, democratic, and poverty-free Bangladesh." Building a profitable and socially responsible financial institution focused on market

and business with development potential to help BRAC and its stakeholders build a just, enlightened, healthy, democratic, and poverty-free Bangladesh.

## 2.4 Products and Services

- Continued expansion of the "Small and Medium Enterprise" sector.
- Consistent low-cost deposit growth with restricted retail asset expansion.
- Self-liability mobilization will be used to fund corporate assets. Asset growth through syndications and investments in fast-growing industries.
- Maintain a steady profitable growth by keeping our debt charges to a minimum of 2%.
- Create effective synergy among the Bank's branches. For delivery of remittances and other Bank products and services on service quality, SME unit offices and SML field offices are used.
- Maintain a constant effort to enhance non-funded income.
- Manage many lines of business in a completely controlled environment with no compromises.
- Keep a varied, far-flung team completely engaged and focused on realizing the vision.

### 2.4.1 SME Banking

As the newest bank, BRAC Bank took a chance and went against the trend, tapping into real suburban business enterprises.

With over 10,000 crores in loans given to date and over 265,000 aspirations realized, BRAC Bank is the country's largest SME financier.

Let us work together to make your goal a reality if you believe in it.

Loan Products	Deposit Products
<ul style="list-style-type: none"> <li>▪ Corporate Finance</li> <li>▪ Industrial Project Finance</li> <li>▪ House Building Finance</li> <li>▪ Trade Plus</li> <li>▪ Business Equity Loan</li> <li>▪ Time Loan</li> <li>▪ Business Loan</li> <li>▪ Suppliers Finance</li> <li>▪ Lease Finance</li> <li>▪ School Banking</li> </ul>	<ul style="list-style-type: none"> <li>▪ Savings Deposit</li> <li>▪ Current Deposit</li> <li>▪ Fixed Term Account</li> <li>▪ Short Term Deposit Account (SND)</li> <li>▪ BBL Scheme Deposit Products:                             <ul style="list-style-type: none"> <li>➢ BBLDPS(Serotonin).</li> <li>➢ BBL DPS (Goorin).</li> </ul> </li> <li>▪ School Banking.</li> </ul>

### 2.4.2 Wholesale Banking

Corporations and Institutions can take advantage of BRAC Bank's comprehensive range of financial services. BRAC Bank is there to help businesses in Bangladesh since it has access to the country's farthest reaches. With us on your side, you can combine the power of local knowledge with the global BRAC skills.

Corporate Banking	Cash Management	Housing Finance
<ul style="list-style-type: none"> <li>➢ Long Term Loan</li> <li>➢ Short term loan</li> <li>➢ Lease finance</li> <li>➢ CC (Hypo)</li> <li>➢ Time Loan</li> <li>➢ Term loan</li> <li>➢ SOD (Gen)</li> <li>➢ Trade finance</li> <li>➢ Letter of Credit</li> <li>➢ Letter of Guarantees</li> </ul>	<ul style="list-style-type: none"> <li>➢ Cash and Trade overview</li> <li>➢ Liability products</li> <li>➢ Securities services</li> </ul>	<ul style="list-style-type: none"> <li>➢ Housing Building Loan (Commercial)</li> <li>➢ House Building Loan (Residential)</li> </ul>

### 2.4.3 E-Banking

With over 100 locations, 300 ATMs, and over 500,000 plastics in the market, BRAC Bank offers a comprehensive range of financial solutions to meet your everyday needs.

Internet Banking

Digital Banking

SMS Banking

Important Security  
Messages

# Chapter-3

## Analysis & Evaluation

### 3.1 Define SME

An SME is described as a company run by its owners or partners in a customized manner, with a tiny market share and insufficient size to be able to raise cash on the stock exchange. SMEs typically have limited access to conventional financial channels and rely mostly on their owners' own funds, as well as the savings of their families and friends. As a result, the majority of SMEs are sole proprietorships or partnerships.

SMEs have been classified based on a number of factors. Governments typically use three characteristics to identify SMEs: capital investment in equipment and machinery, the number of personnel employed, and the volume of production or turnover of the business.

### 3.2 Definition of SME as per Bangladesh Bank

A firm managed in a personalized fashion by its owners or partners, with just a tiny share of its market and not large enough to have access to the stock exchange for raising funds," according to the SME definition. SMEs typically have limited access to conventional financial channels and rely mostly on their owners' own funds, as well as the savings of their families and friends. As a result, the majority of SMEs are sole proprietorships or partnerships. This definition, like all others, isn't perfect. As a result, the definition of a small to medium-sized enterprise (SME) varies depending on the situation.

Despite the fact that there are similarities between countries, governments do not utilize the same terminology to describe their SME sector. Furthermore, a universal definition appears to be neither practical nor desirable. SMEs have been classified based on several factors. The three parameters that governments typically use to define SMEs are as follows:

- Plant and machinery capital investment.
- Number of employees.
- Volume of production or business turnover.

Other classifications are based on whether or not the business owner works with the employees, the level of management complexity, and whether or not the business is in the "formal" sector. The definitions in use are determined by the purposes that they must serve in accordance with the policies of the various countries/governments.

However, a quantitative definition in each national context is useful since it makes macro-level policies for a specific group of firms easier to target. The SME sector has grown at a faster rate in countries having such criteria. This means that the more accurate the definition, the more effective the implementation of policies meant to help the sector. The firms are at a disadvantage in countries where there is no definition.

**Definition of SME as per Bangladesh Bank (7 page)**

Organizations not a public limited company meet the following criteria:

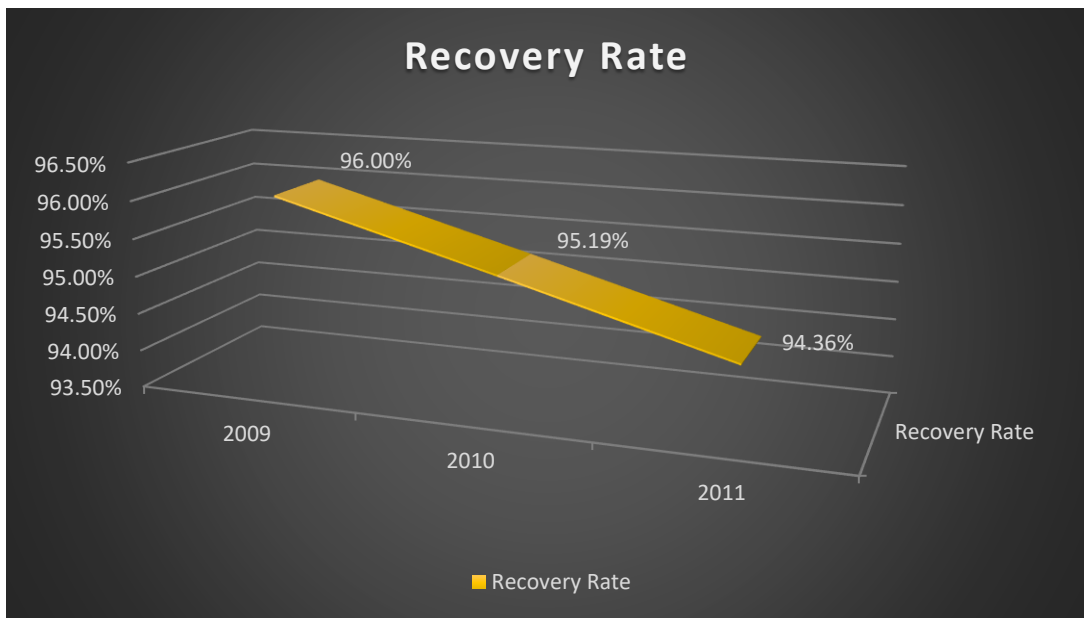
Enterprise	Criteria	Trading/Services	Manufacturing
Small Enterprise	Number of Staff (Not More than)	25	50
	Small Enterprise Fixed Asset	(Except Land & building) BDT 50 thousand –	BDT 50 thousand – 1.5 Crore
Medium Enterprise	Number of Staff (Not more than)	50	150
	Medium Enterprise Fixed Asset	Except Land & building) BDT 50 Lac – BDT 1 Crore	BDT 1.5 Crore – BDT 20 Crore



**Definition of SME as Per BRAC Bank**

SME investments become: Based on the bank's perspective of SME and its stumbling barriers, and in the context of our country's socioeconomic position, SME investments become:

Small & Medium investment                      BDT 0.3 million to BDT 10.0 million



The recovery rate of this loan has been dropping over time as a result of increasing the loan size and the number of clients of SME goods. As a result, the rate of loan recovery is reducing day by day as the loan amount grows.

### 3.3 SME financing in Bangladesh

The bulk of commercial banks and financial institutions have adopted SME banking. For incorporation, they only need to re-design and scale down their current financial products for SME consumers. Because it is ordinary financing masquerading as SME financing, this does not add intended value to SME funding. Small and medium-sized enterprises (SMEs) provide low-cost employment and economic flexibility. Many SMEs are export-oriented, showing that they are competitive on a global scale.

Given the importance of the SME sector in Bangladesh's economy and an understanding of the challenges that SMEs confront, it is evident that measures to support the development and expansion of SMEs are essential.

#### **SME Banking's Benefits:**

BRAC Bank's major goal is to improve the country's human and economic situation. Its role isn't just confined to loan provision and repayment. However, a country's economy should be developed as well. So, from the perspective of BRAC Bank Ltd., the following are the reasons for this program:

#### **Small and medium-sized businesses should be supported.**

To assist small and medium enterprises that require less than BDT 30 lacs in capital but do not have easy access to commercial banks/financial institutions. However, BRAC Bank Ltd. offers loans ranging from BDT 3 to BDT 8 lacs without the need for a mortgage.

#### **Economic Development:**

A country's economic development is mostly dependent on small and medium-sized businesses. For example, if we look at Japan's development history, we can see that the growth of small and medium-sized businesses has accelerated the country's development.

### **Generation of Jobs:**

To increase the number of job openings in the market. The bank tailors job possibilities in two ways: To begin, by offering loans to small businesses. These companies are growing and need more employees.

Second, to provide support to entrepreneurs, the small and medium enterprise (SME) program requires educated and energetic individuals.

### **Profit Making:**

The SME program is a new dimensional banking system in the financial world. The bulk of CROs provide entrepreneurs with door-to-door services. Entrepreneurs are happy with the bank's service and benefit from the bank's oversight.

### **Encourage the production of goods:**

BRAC Bank Ltd.'s main goal is to help entrepreneurs to manufacture goods by purchasing various types of resources. If possible, CROs try to educate people to generate material because if they can produce in line with buying, earnings will be significant.

### **Distribute the Knowledge:**

Another goal of BRAC Bank Ltd. is to raise awareness about the relevance of SME banking in various industries. The customer service representative shares their experience from various businesses and strives to assist entrepreneurs who lack the necessary information.

## **3.4 SME Banking: BRAC Bank**

BRAC Bank is a 12-year-old institution that pioneered small and medium-sized business (SME) banking. If we consider the financial pyramid, the top of the pyramid is made up of local and multinational corporations, while the bottom is made up of low-income individuals. Banks and other financial organizations serve people at the top, while Micro Finance Institutions (MFIs), such as NGOs, serve those at the bottom. However, the SME sector in the middle lacked access to crucial banking services, which BRAC Bank has addressed. So, based on the concept of the missing middle, BRAC bank launched SME loans for lower and middle-class businesses.

### 3.5 Selection Criteria for SME loan

#### **Criteria for Business Selection**

The success of a small business will be determined in large part by the choice of a business and the person who will lead it.

The following characteristics should be desired in a business (enterprise):

1. The company must have been in operation for at least a year.
2. The company must be environmentally friendly, with no narcotics or cigarette products.
3. Wherever possible, the firm should be officially registered, such as with a valid trade license, income tax, or VAT registration.
4. The firm should be in legitimate trade; smuggling will not be tolerated, and businesses that are socially unacceptable will not be accepted.
5. The company must have a clearly defined market with room for expansion.
6. The company should be positioned near the market and its raw materials/suppliers. It should have access to all necessary utilities and professional people.
7. Any risk that is assessed by management becomes a credit risk for the bank. As a result, an effort should be made to comprehend the business's risk.

#### **Selection Criteria for Entrepreneurs**

The following should be analyzed in order to understand the competency of the management behind the business:

1. The entrepreneur must be physically fit and healthy, ideally between the ages of 25 and 50. If he or she is nearing the age of 50, it is important to determine what the succession plan will be and whether it is well stated.
2. The entrepreneur must have the technical abilities needed to run the business, such as an academic or vocational background, appropriate job experience from another institution, or years of expertise in this area.

3. The entrepreneur must have a positive social standing in the society (people should speak favorably of him), high integrity (does not swindle others, and generally helps others), and be morally sound (Participates in community building).
4. The entrepreneur must be enthusiastic and show that he oversees his firm (confidently responds to all inquiries) and has the ability to take on new and exciting challenges to propel the company ahead.
5. Suppliers or creditors should vouch for his prompt payment and general nature.
6. A clear indicator of one's source of income and ability to save.

### **Criteria for Choosing a Guarantor**

The choice of a guarantor is also critical. The same qualities that apply to an entrepreneur also apply to a guarantor. He should also have the following qualities:

- ❖ The guarantor must be financially solvent and able to repay the entire amount (Check his net worth).
- ❖ The guarantor should be fully informed about the SEDF loan and his responsibilities.
- ❖ Government and semi-government personnel, such as schoolteachers, college professors, and doctors, can be chosen as guarantors.
- ❖ Persons from the police, BDR, and army, political leaders and workers, and the Imam of a mosque cannot be chosen as a guarantor.

The guarantor should be familiar with the entrepreneur and, ideally, live in the same neighborhood.

### 3.6 SME Banking System

Every SME unit office will have a bank account with a bank in their area. This bank account will be opened and managed by the SME's main office.

- Monthly cash of Tk 2000/= will be granted to all unit offices to cover small expenses like as stationary, entertainment, and other miscellaneous costs.
- The SME main office will provide a cheque for this petty cash at the beginning of the month. All receipts for such expenditures should be sent to the SME's accounting department.
- After acquiring documentation from borrowers, all clients must open accounts with the same bank on the same day, and borrowers must give a receipt as required.
- Cheques should be deposited into the SME unit office bank account the same day they are received from borrowers, who are required to submit a receipt.
- Any loan installment credit must be transferred to the SME head office account in Gulshan, Dhaka on the same day as agreed with the bank.
- Each CRO should have their own account at the same bank branch for personal use and to receive their salaries and other benefits.
- Other expenses should be covered by payments of lease rentals, utility bills, and checks drawn on the SME unit office bank account and issued by the SME head office (Large amount). If the bills are only a few dollars, they should be paid with petty cash and replaced later.

All financial accounting entries will be sent through the SME headquarters and maintained separately by each unit office.

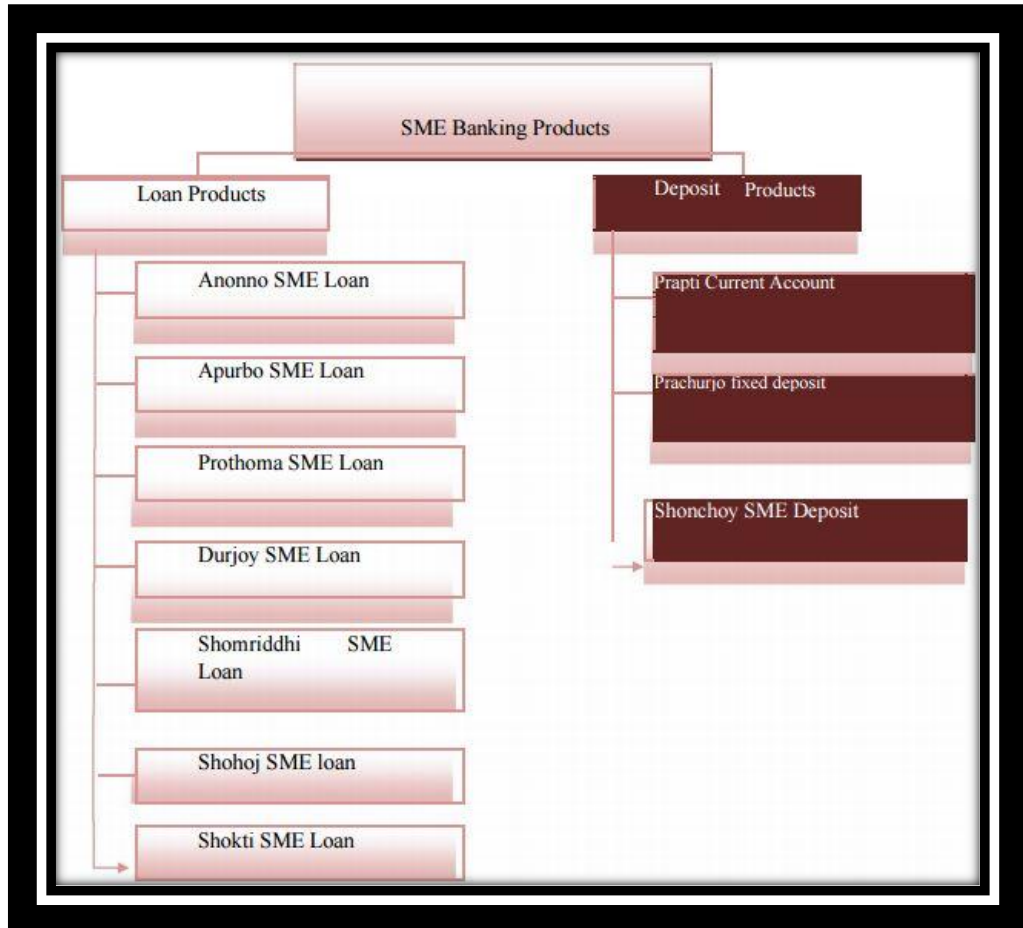
### 3.7 Loan can be repaid in two ways

1. In a monthly loan installment with a monthly interest payment that is equal to the monthly loan installment
2. By making a single payment at maturity, with interest repayable on a quarterly basis:
  - Loans might be for three, four, six, nine, twelve, fifteen, eighteen, twenty-four, thirty-six, etc.

- The borrower must establish a bank account with the same bank and branch as the SME.
- Approved loans will be disbursed to clients in the following order: Borrower name, Account name, Bank name, and Branch name via account-by-account payee check.
- The loan will be repaid on the 1st of each month, regardless of the date of payment, by an account payee check in favor of BRAC Bank Limited. A/C. with the name of the bank and the names of the branches.
- The borrower must write a blank account payable check payable to BRAC Bank.
- The borrower will display a notice stating that the manufacturing unit is financed by BRAC Bank Limited in a public location.
- The borrower must provide appropriate collateral and other securities in accordance with the bank's requirements and procedures.
- BRAC Bank may provide 100% of Net Required Working Capital to SME, but not more than 75% of total Inventory and Account Receivables worth. This form of loan can only be used for 18 months at a time. The loan could also be considered for shorter terms, with the possibility of a one-time principle payback, as stated in the loan product sheet.
- In the event of fixed asset financing, up to 50% of the fixed asset's acquisition cost may be considered. A suitable grace period may be considered when considering loans against fixed assets, based on the cash generation after the fixed assets are installed. The maximum term that can be considered, including the grace period, is 36 months.

### 3.8 Products of SME Banking

BRAC Bank provides the following SME loan and deposit products to clients for a variety of purposes, all of which meet the bank's requirements and provide a good return on investment while also satisfying the client. SME banking services include:





### 3.9 Competitive Advantages of SME'S From Bank's Perspective

- In comparison to corporate financing, the default rate on SME loans is substantially lower, with a recovery rate of roughly 98 percent (big loans). This is since in a small business, risk is divided among a large number of consumers with a modest loan amount (usually Tk. 3-8 lac).
- Due to a refinance from Bangladesh Bank at 5%, a 1% service charge, a 1% risk fund, and a 15% rate of interest, the effective rate of return is greater. In the SME sector, interest rates are still higher.
- SME financing is better for a bank's capital adequacy because it has a lower risk weight on assets than corporate financing. (SME 75%, other than SME (unrated) 125%)
- As more customers open larger CD accounts and maintain a minimum level in their particular accounts, the deposit base for lower rates grows.
- SME loans are the best option in Bangladesh for creating jobs, strengthening the rural economy, and raising people's income levels.

### 3.10 Disadvantages of SME From Bank's Perspective

- For a seamless operation of a SME loan, supervisory credit is required, as well as more labor.
- In comparison to large customers, there is a higher rate of non-performing loans. There is also a higher rate of customer dealing.
- As more customers arrive each day, more people are congregating in the bank's premises.
- It is simple for customers to leave the firm, and customers have a high proclivity to alter their current address. As a result, the default consumer may continue to be unconcerned.

### 3.11 Importance of SME as a Whole

➤ **Small and medium-sized businesses (SMEs) are the growth engine:**

- In most nations, the SME sector is the greatest employer, especially in terms of new jobs. Small businesses employ more people than large corporations and have fewer capital expenses connected with job creation.

- SMEs are a key source of technical innovation and new goods, and they play a critical role in ensuring income stability, employment, and economic growth.

➤ **Small and medium-sized businesses (SMEs) are critical for a competitive and efficient market:**

- SMEs with high turnover and adaptability play a critical role in resolving regional and sectorial economic imbalances.

- A large number of SMEs produces competitive market pressure; • SMEs also play an important role as subcontractors in the downsizing, privatization, and restructuring of large corporations.

➤ **SMEs Play a Key Role in Poverty Reduction:**

- SMEs are sometimes the only source of employment in poor regions and rural areas, and they employ poor and low-income individuals.

- For many poor people, self-employment is their only source of income.

- In developing countries, where poverty is the most acute, SMEs play a critical role.

➤ **Small and medium-sized businesses (SMEs) play a critical role in developing countries.**

- SMEs are a major source of export revenues, and they are growing at a rapid pace.

➤ **Small and medium-sized businesses (SMEs) support large sectors in the following ways:**

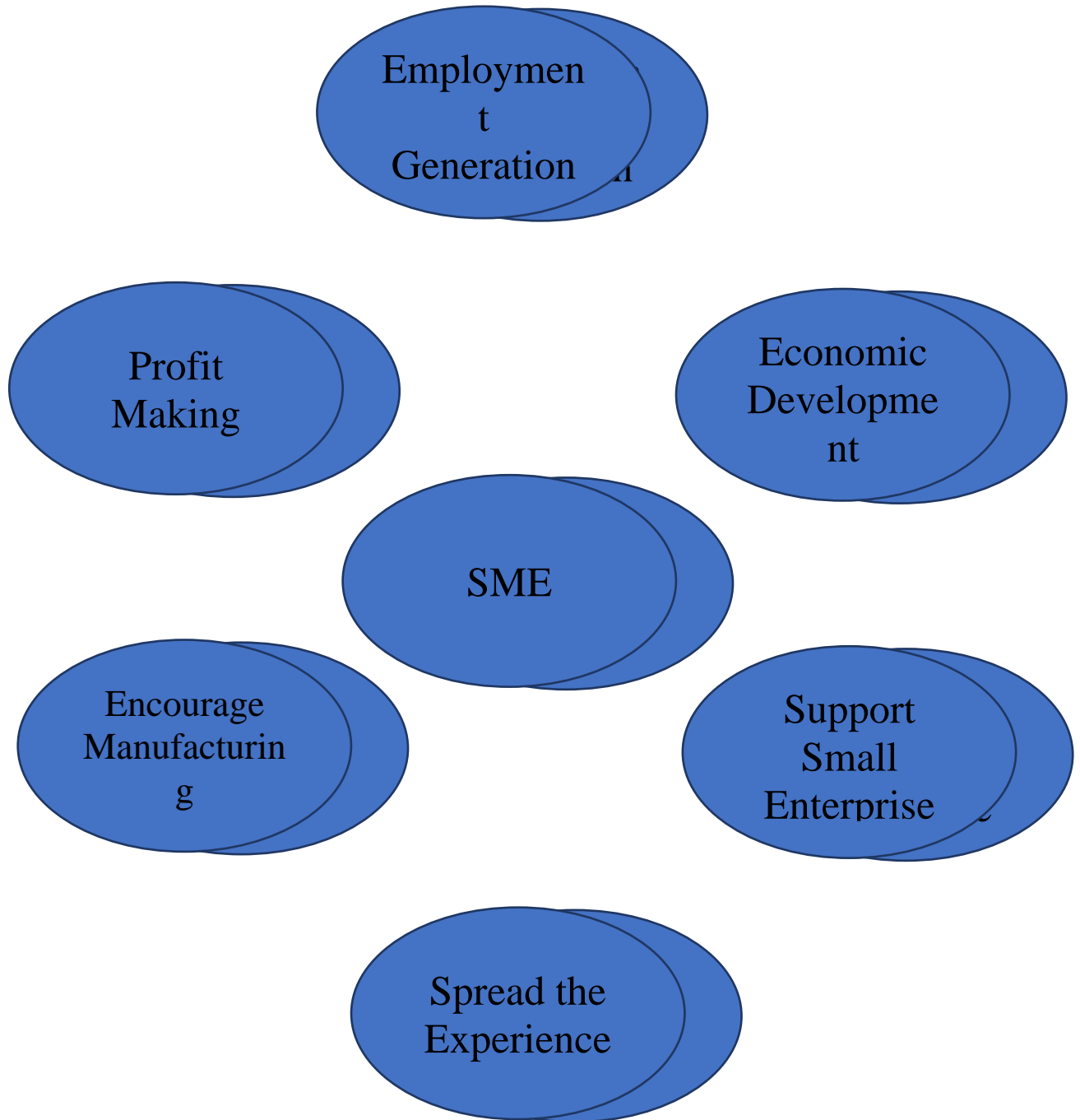
- Apart from numerous components in their products, big and huge industries require a lot of things that can't be manufactured or aren't economically viable to make there. In these circumstances, small and medium industries play a critical role in satisfying the needs of major businesses. As a result, SMEs contribute to the expansion of industry.

Because of their flexibility, SMEs have an advantage over large-scale businesses in that they can easily adapt to market conditions and withstand unfavorable economic situations.

### **3.12 Importance of SME**

BRAC Bank's major goal is to improve a country's human and economic situation. Its role includes not only issuing and retrieving loans, but also attempting to grow a country's economy.

So, reasons for this program from the viewpoint of BBL:



### 3.12.1 Economic Development

Small and medium-sized businesses play a significant role in a country's economic development. For example, if we look at Japan's development history, we can see that the growth of small and medium-sized businesses has accelerated the country's development.

### 3.12.2 Employment Generation

**The bank creates job possibilities in two ways:**

To begin with, by offering loans to small firms that are expanding, these businesses will require additional personnel.

Second, the Small and Medium Enterprise (SME) program necessitates the hiring of trained and energetic individuals to assist entrepreneurs.

### 3.12.3 Profit Making

In the banking world, the SME program is a new dimensional banking system. The majority of CROs offer door-to-door services to entrepreneurs. Entrepreneurs are satisfied with the bank's service and profit.

### 3.12.4 Spread the Experience

Another goal of BRAC Bank is to raise awareness about the necessity of SME banking in various industries. The customer service officer provides their experience from various businesses and strives to assist entrepreneurs who are lacking in information. CROs, who are the driving force behind BRAC Bank's SME section, also gather information about diverse firms in order to build a greater knowledge base.

### 3.13 SME Products

#### 3.13.1 Corporate Finance

BRAC Bank Limited has always adopted a strategy of providing widespread service to large and medium-sized corporate customers, and the bank's business is primarily focused on corporate clients by maintaining a relationship based on a thorough understanding of the client's business environments, financial needs, and internal growth strategies. The investment in the corporate sector is a blend of various natures with a balanced allocation.

#### 3.13.2 Time Loan

BRAC Bank offers time loans to help our SME borrowers finance operating capital or purchase fixed assets. It meets the needs of entrepreneurs in commerce, manufacturing, service, agricultural, non-farm activities, agriculture-based enterprises, and other areas of our economy.

##### Eligibility

- Entrepreneurs with a minimum of 3 years of company experience,
- A minimum age of 25 years, and a maximum age of 60 years are eligible.

##### Maximum Amount

- Maximum Amount Starting at BDT 3 lac and going up to BDT 15 lakh.

##### Features:

- No mortgage loan for amounts less than \$85,000.
- simple loan processing for business expansion.
- quick disbursement; payout in one or two installments.
- flexible monthly payback loan

### 3.13.3 School Banking

This is a loan meant to help small and medium-sized private educational institutions, such as kindergartens, schools, and colleges, meet their financial demands.

#### Eligibility

- A small or medium educational institution that has been in operation for at least three years is eligible.
- A single proprietorship, partnership, private limited company, or society should be the type of organization.
- ranging from BDT 3 lac to BDT 20 lac

#### Features

- For loans under ten lacs, there is no need for a mortgage.
- A loan for the purchase of fixed assets and civil construction.
- Loan repayments might be spread out over a period of up to four years.
- Minimum documentation is required.
- Loan with a monthly payments schedule.
- Disbursement in a timely manner.
- Interest rate that is flexible and depending on security

### 3.13.4 Agriculture Loan

This financing is designed for private clinics, diagnostic facilities, and doctors' offices that want to buy fixed assets in equal monthly installments.

#### Eligibility

- Institutions that have been in existence for at least two years and are profitable are eligible.
- Doctors with a minimum of 5 years of experience.

#### Maximum Amount

- A minimum of 3 lac and a maximum of 30 lac is required.

#### Features

- a loan of up to 8 lacs without a mortgage.
- Processing of loans is simple.
- The loan repayment period can last up to three years.
- 1% of the loan amount is charged as a processing fee.
- Interest rate that is flexible and depending on security

### 3.13.5 Supplier Finance

SUPPLIER FINANCE is a loan program for enrolled Suppliers of various large retailers, marketing organizations, distributors, exporters, and other businesses. The primary goal of this solution is to assist various Suppliers in overcoming short-term cash flow problems or bridging fund-flow gaps.

#### Eligibility

- If you are an enlisted supplier of a corporate house with whom BRAC Bank has a corporate tie-up, you are eligible.
- Have at least three years of continuous operation.
- Maintain a one-year relationship with the purchasing firm.

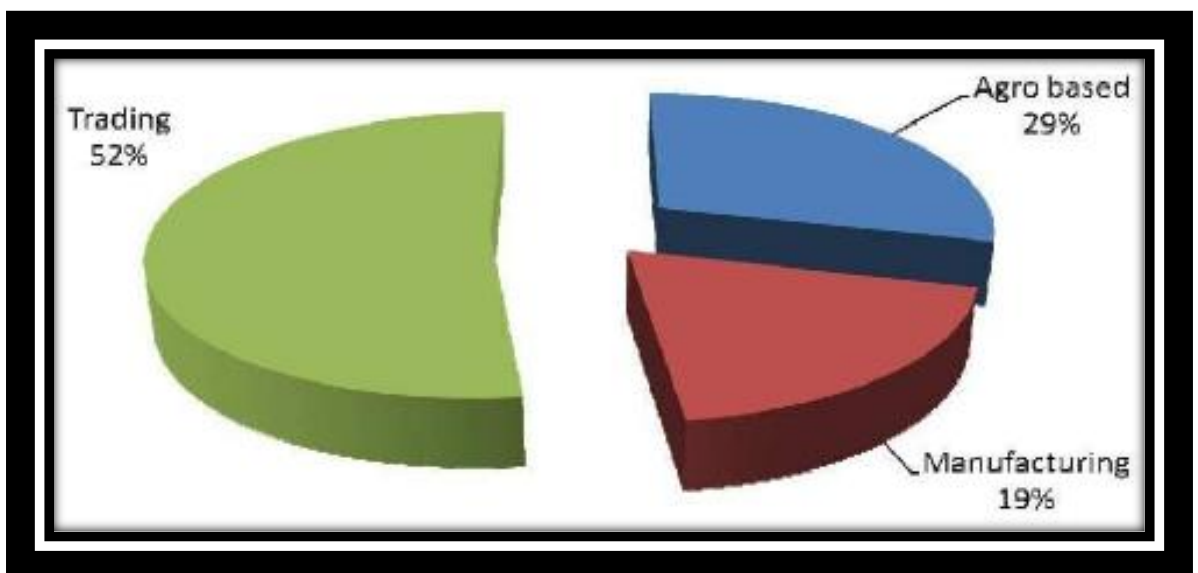


**Maximum Amount**

- BDT 3 lac to BDT 30 lac (minimum to highest).

**Features**

- Monthly installments that are equal and a revolving loan facility.
- The processing cost is 1% of the loan amount.

**2.4 Sector wise Distribution of SMEs****3.15 Obstacles and Challenges faced BRAC Bank Limited in SME**

BRAC Bank Limited experienced numerous barriers and challenges in the early stages of the SME. There was a scarcity of finance, a dearth of advanced technology, significant staff turnover, a lack of entrepreneur skills, and a lack of company licenses, among other things. These issues are briefly discussed below:

### **3.15.1 Absence of High Technology**

Another restriction for BRAC Bank Limited was the lack of high-tech equipment. They did not have good inter-banking software at the time, thus they were unable to connect various SME service centers.

### **3.15.2 High Employee Turnover**

Employee turnover was quite high in 2001. Employees of BRAC Bank are not bound by any legal obligations. Employees are free to leave their jobs whenever they want. As a result, the SME Service is hampered.

### **3.15.3 Lack of Skills Entrepreneur**

Entrepreneurs were not well-educated at the time. They lack appropriate knowledge of the many forms of paper requirements. It slows down the loan approval process.

### **3.15.4 Trade License**

Another important issue for BRAC Bank was obtaining a trade license. Most business owners do not have a business trade license. It was difficult to approve the loan without adequate documentation.

### **3.15.5 Poor Physical Infrastructure**

The SME sector's growth is hampered by an insufficient supply of essential services such as electricity, water, roads, and motorways.

### **3.15.6 Employee Skills**

Employees at the time lacked appropriate knowledge of SME. The cost of training all of the personnel was high. As a result, a lack of effective personnel training constituted another stumbling block to SME expansion.

### **3.15.7 Lack of Information**

SME had just taken on a new shape in our country at the time. As a result, no one is certain. People were given such hazy and incorrect information.

### **3.16 Steps Taken to Overcome the Obstacles**

To solve the challenges, Bank began to take the following steps:

#### **3.16.1 BRAC Bank started to expand their SME network**

In 2001, BRAC Bank's SME loan business was restricted to only four sales and service centers. They've started to build their network gradually. They now have 429 sales and service centers for small businesses.

#### **3.16.2 Training Session for employees**

Employees in the start of a SME's operation lack the necessary knowledge to deal with customers. Aside from that, there was a scarcity of educated workers available to work in this field at the time. As a result, BRAC Bank began to train personnel who had begun to work in the SME division.

#### **3.16.3 Orientation Session for Borrowers**

Aside from training staff, BBL has begun to train borrowers as well. The majority of the debtors are uneducated. They don't even pass the S.S.C. or the H.S.C. As a result, BBL began to host an orientation session for a group of borrowers.

#### **3.16.4 Tried to Overcome Financial Constraint**

BBL's first commitment in the SME loan was minimal. They have gradually begun to invest heavily in SMEs. Because they have a strong shareholder base.

#### **3.16.5 Educate the Entrepreneurs**

Most entrepreneurs had just completed S.S.C. or H.S.C. at the time. As a result, they have a limited understanding of banking transactions. They came to borrow money,

but they don't have a trade license. Other steps to address the obstacles were educating the entrepreneurs.

### **3.16.6 Employee Commitment**

As a result of the substantial personnel turnover, BBL began to provide attractive remuneration to its employees. They began to provide additional benefits to their employees. They also began to require employees to sign contracts for two or three years.

### **3.16.7 Advancement of Technology**

BRAC Bank Limited has also begun to improve its technology. As a result, they've switched their software from MBS to Finacle. Now the appropriate agency may quickly determine whether a particular borrower has paid his or her installment.

## **3.17 Different Business Wings of SME Banking**

### **3.17.1 Women Entrepreneur Cell (WEC)**

Women Entrepreneurs Cell (WEC), the first of its kind in Bangladesh's banking industry, was established in 2006 under the SME banking division with the goal of providing formal finance, training, and technical assistance to women entrepreneurs across the country.

### **3.17.2 Manufacturing Business Unit (MBU)**

Under the SME banking division, the manufacturing business unit was formed in August 2007. The goal of establishing this unit is to better serve the manufacturing industry by offering sector-specific and other services.

### **3.17.3 Supplier and Distributor Business Unit (SDF)**

The Supplier and Distributor Finance Unit were established in September 2007 to accelerate the expansion of the linking industry, which is critical to the success of any business.

### 3.17.4 Commercial credit unit (CCU)

The commercial credit unit (CCU) was established in October 2007 with the goal of providing pre- and post-trade credit services to the trade finance industry.

<b>Portfolio</b>	
No of Clients	Outstanding Amount
3530	101.31 crore

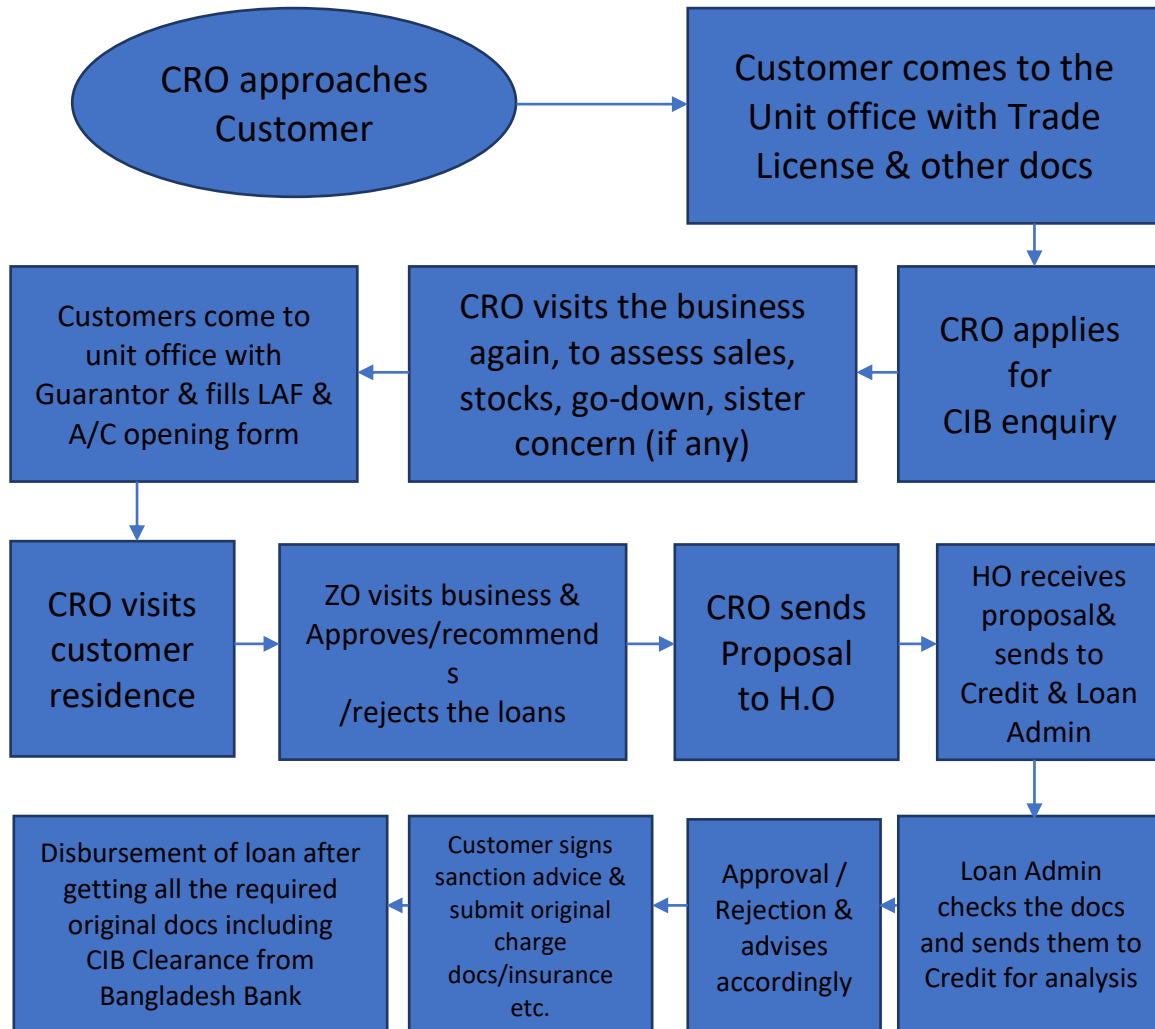
<b>Cumulative Disbursement</b>	
Clients	Amount
4182	148.96

### 3.17.5 Deposit Mobilization Unit

The segment handles SMEs' deposit product needs, such as transaction and fixed deposit account opening and account maintenance, across the country. Additionally, this business wing teaches SMEs on modern banking and encourages them to maintain regular banking activities.

### 3.18 SME Loan Process Flow

When a customer comes to the unit office to apply for a loan, he or she meets with a customer relationship officer to discuss the loan and which loan product is appropriate for them. The procedure that follows is then carried out.



### 3.19 Terms and Condition of SME Loan

BRAC Bank's SME department will offer small loans to potential borrowers on the following terms and conditions:

- Potential borrowers and businesses must meet the selection requirements.
- The loan amount ranges from Tk 2 lac to Tk 30 lakh.

SME will charge the following loan processing costs for evaluating and processing a loan proposal:

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

**Table 4.1: Loan processing fees**

- The loan can be paid back in two ways:
  - a) in equal monthly loan installments with monthly interest payments, or
  - b) in one single payment at maturity with interest repayable as a quarter end residual on maturity.
- Loans might be valid for three months, four months, six months, nine months, twelve months, fifteen months, eighteen months, twenty-four months, thirty-six months, and three years.
- The loan will be disbursed to the client via account payee cheque in the following manner if it is approved: Name of the borrower, account number, bank, and branch.
- The loan will be repaid on the 1st of every month, regardless of the date of payment, by an account payee check in favor of BRAC Bank Limited A/C, with the bank's and branches' names.
- Before any loan distribution, the borrower must issue an account payable blank cheque in favor of BRAC Bank Limited, together with all additional collateral.

- The borrower must provide appropriate collateral and other securities in accordance with the bank's requirements and procedures.
- SME, BRAC Bank may give up to 100% of Net Required Working Capital, but not more than 75% of the total value of Inventory and Account Receivables. This type of loan can only be taken out for a maximum of 18 months. Loans for shorter lengths of time, including one-time principal payback, may be considered, as mentioned in the loan product sheet.
- In the case of fixed asset financing, up to 50% of the fixed asset's purchasing cost may be considered.
- The maximum term that can be considered, including the grace period, is 36 months.

### 3.20 Closing Procedure of SME Loan

#### Pre-Closing manual activities

**1. You get a text message or a fax asking for the loan to be closed:**

The borrowers pay back the loan in accordance with the repayment schedule. The borrower requests that his loan account be terminated by the unit office/CRO after the repayment is completed. The loan administration division receives an SMS/fax from the unit office/CRO requesting that the respective borrower's loan account be cancelled.

**2. Print the SMS/Fax:**

After receiving the request from the unit office/CRO, the loan administration division prints the SMS/Fax and takes the appropriate measures to end the account.

**3. Obtain the loan file from the following location:**

The respective borrower's loan account file is retrieved from the archive. The documents in the file are also compared to the MBS record.



**4. Obtain approval from the concerned authorities:**

The loan must be closed with the authorization of the competent authority. If the appropriate authority approves the loan account closure, the next steps are conducted.

**5. Checking loan status in MBS with Finacle:**

The loan administration division utilizes Finacle to check loan status in MBS with Finacle. The deposits are re-checked if there is a difference between the SMS/Fax from the unit office and the MBS. The loan administration division then calculates the total balance of the loan account (Ledger balance + buffer interest + Excise duty).

**6. Loan administration division sends SMS to relevant CRO:**

The loan administration division sent an SMS to the concerned CRO advising him or her of the current amount of the requested loan account.

**7. Receive and print closing SMS/Fax checking & Freezing:**

The responsible CRO sends a final SMS to the loan administration division alerting them that the relevant borrower has paid off all of his loan obligations. The loan administration section prints the SMS on paper, examines it, and then closes the loan account.

## **Loan Closing Entries in Finacle**

**1. Pre-closing data entry:**

After completing the manual processes, the loan administration division inserts some information into MBS for future needs and completes the duties below:

- Interest/provision charging and voucher printing
- Charges collection and voucher printing
- Enter the final repayment amount and print the voucher
- Checking the final repayment entry
- Posting of reimbursement vouchers

**2. In Finacle, activate account closing:**

- Finacle Entries for Loan Closing The loan administration division finally closes the requested loan account in MBS after completing the duties.

### Manual tasks following the closing of the business

#### 1. Rechecking with deposit slips:

- As part of the MBS process, the loan administration double-checks all of the loan account's deposit slips. If an error is discovered, it is instantly corrected; otherwise, the file is archived for future requirements. The client may take another loan in the future, and information from this file will aid in the approval and disbursement of the loan, reducing risk.

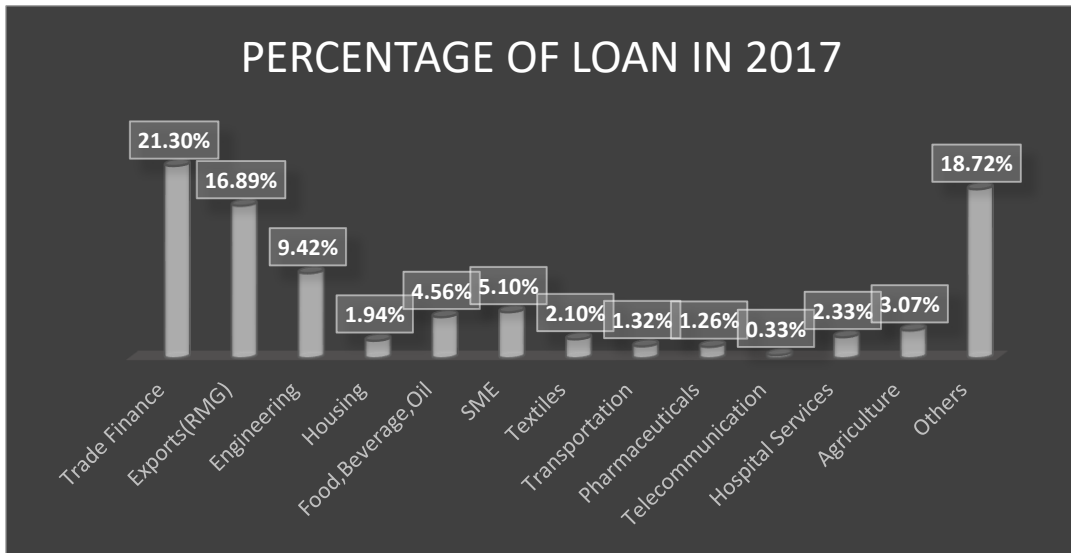
### 3.21 Analysis

#### SME LOAN (PERCENTAGE) IN YEAR 2017

**Table 01: SME loan (sector wise)**

Sector/Segments	Percentage (%)
Trade Finance	29.45%
Exports (RMG)	17.62%
Engineering	10.27%
Housing	8.98%
Food, Beverage, Oil	5.12%
SME	2.04%
Textiles	1.55%
Transportation	1.40%
Pharmaceuticals	1.60%
Telecommunication	1.34%
Hospital Services	0.99%
Agriculture	0.92%
Others	18.72%
Total	100%

**Source: Annual report**



**Graph: 2 Graphical representations**

**Comments:**

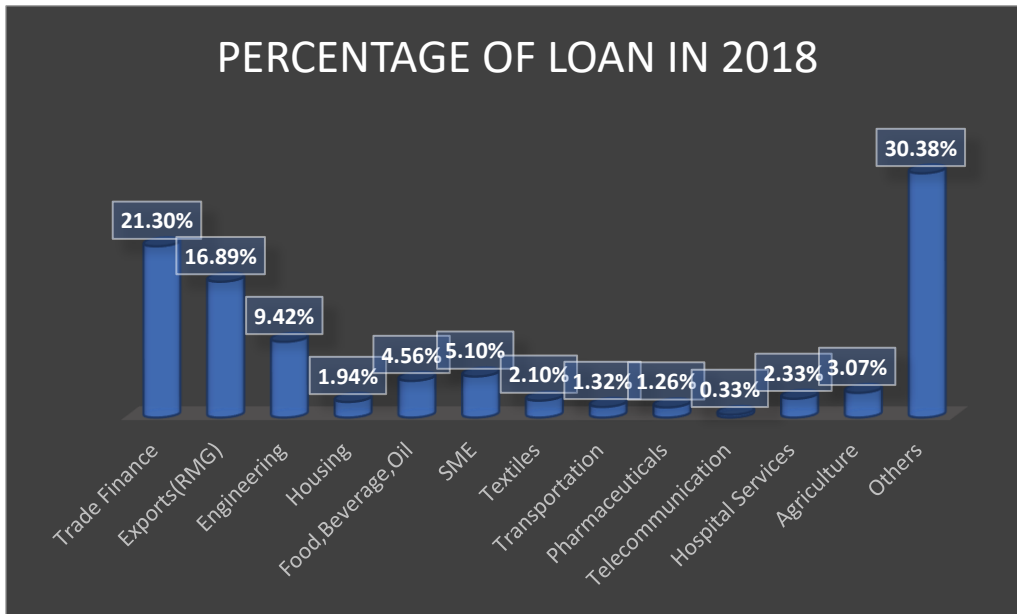
Agriculture has a low loan-to-value ratio and total loans and advances are on the rise.

## SME LOAN (PERCENTAGE) IN YEAR 2018

**Table: 2**

<b>Sector/segments</b>	<b>Percentage (%)</b>
Trade Finance	21.30%
Exports (RMG)	16.89%
Engineering	9.42%
Housing	1.94%
Food, Beverage, Oil	4.56%
SME	5.10%
Textiles	2.10%
Transportation	1.32%
Pharmaceuticals	1.26%
Telecommunication	0.33%
Hospital Services	2.33%
Agriculture	3.07%
Others	30.38%
Total	100%

Graph: 2

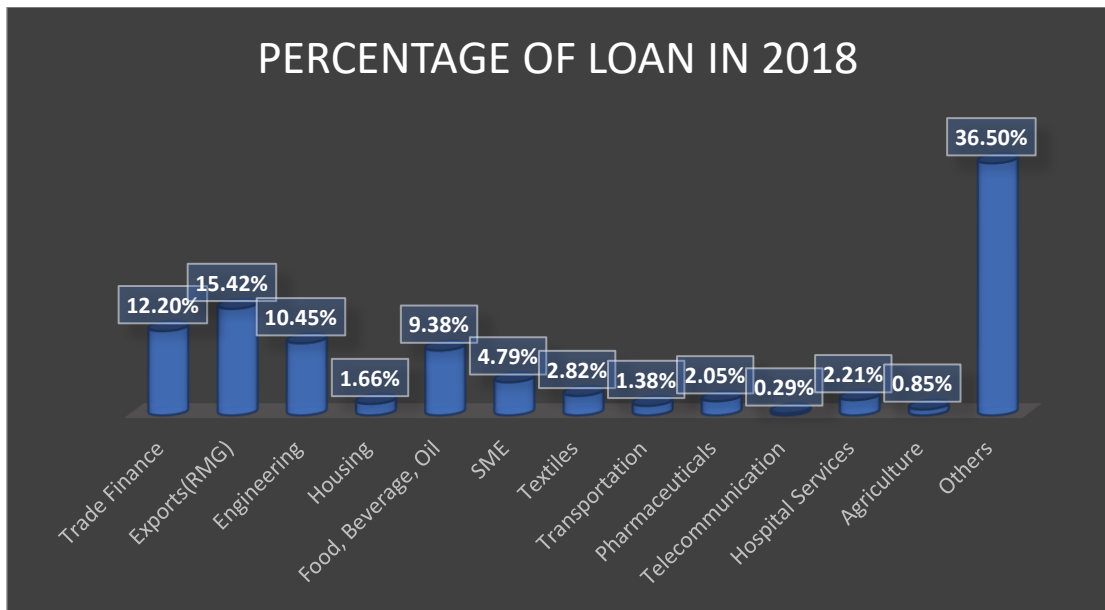

**Comment:**

Total advances and loans finance with a greater trend and telecommunications with a lower trend.

**SME LOAN (PERCENTAGE) IN YEAR 2019**
**Table: 3**

Sector/segments	Percentage (%)
Trade Finance	32.20%
Exports (RMG)	15.42%
Engineering	10.45%
Housing	1.66%
Food, Beverage, Oil	9.38%
SME	4.79%
Textiles	2.82%
Transportation	1.38%
Pharmaceuticals	2.05%
Telecommunication	0.29%
Hospital Services	2.21%
Agriculture	0.85%
Others	26.50%
<b>Total</b>	<b>100%</b>

**Graph: 3**



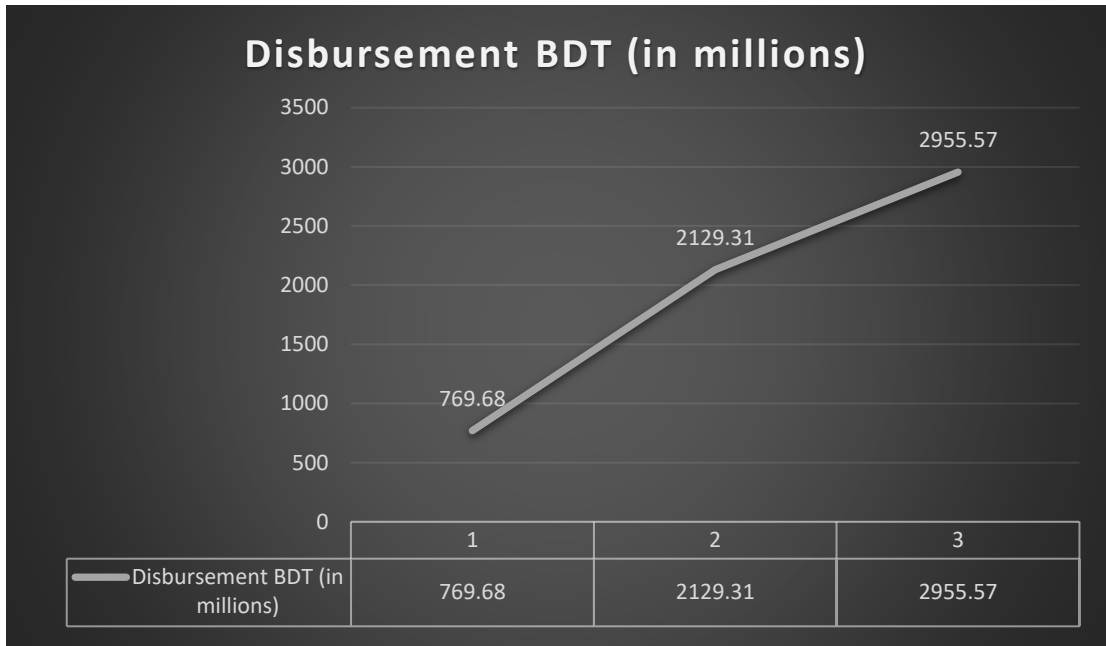
**Comment:**

Total loans and advances are on the rise, with a low Telecommunications component.

**3.22 Disbursement of SME Loan**

**Table: 4**

Year	2017	2018	2019
Disbursement BDT (in millions)	769.68	2129.31	2955.57

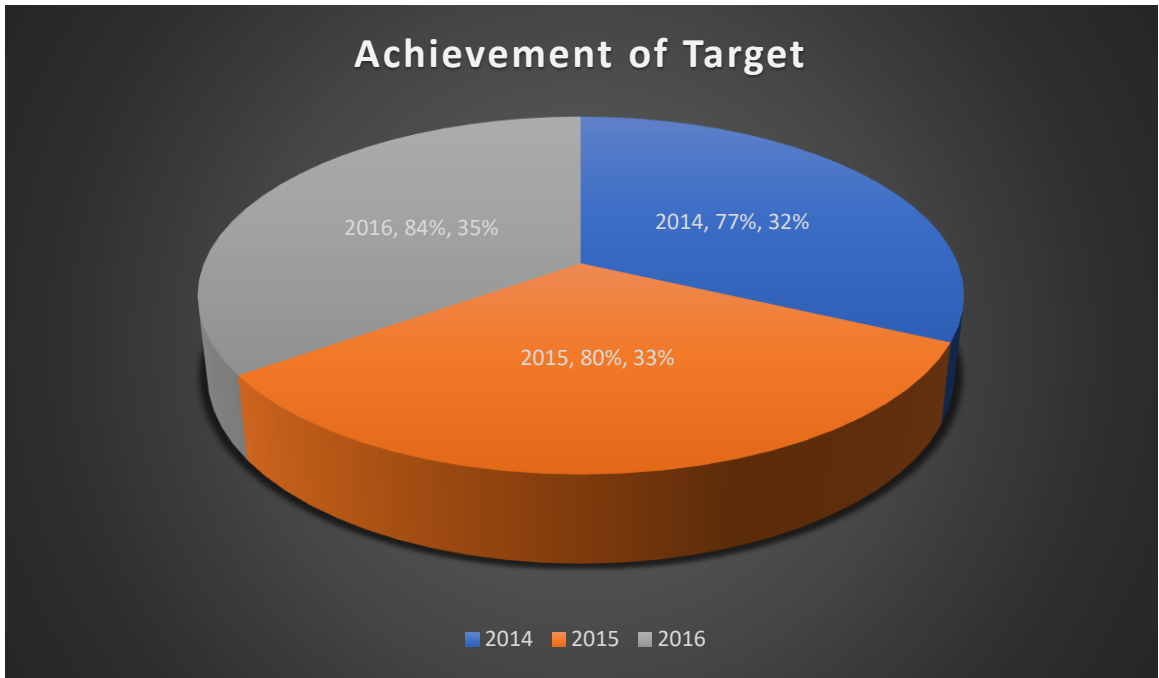
**Graph: 4**

**Comment:**

Due to its promotional operations and various sorts of development of its SME products to clients, BRAC Bank Ltd's annual disbursement is expanding day by day. As a result, the amount of loan distribution to customers from 2009 to 2011 is described below in BDT in millions.

**3.23 Achievement of Annual Target**
**Table: 5**

Year	Annual Target	Achievement of Target
2016	1,000,000,000	77%
2017	3,050,000,000	80%
2018	3,500,000,000	84%

**Graph: 5**



**Comment:**

In 2019, the aim was met satisfactorily, but in 2017 and 2018, it was met less satisfactorily.

BRAC Bank targets the total loan to be sold to the targeted clients after segmenting the targeted customers. The yearly objective for SME Loan is depicted above, along with the proportion of the target that has been met.

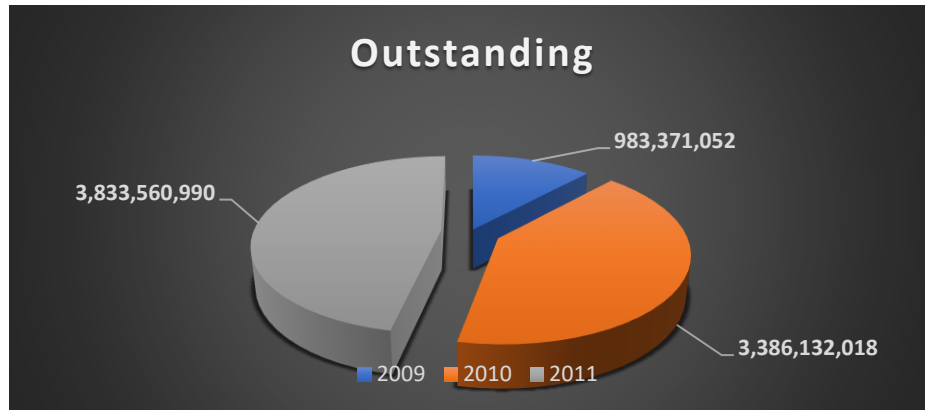


### 3.24 Overall Analysis and Interpretation of SME Loan

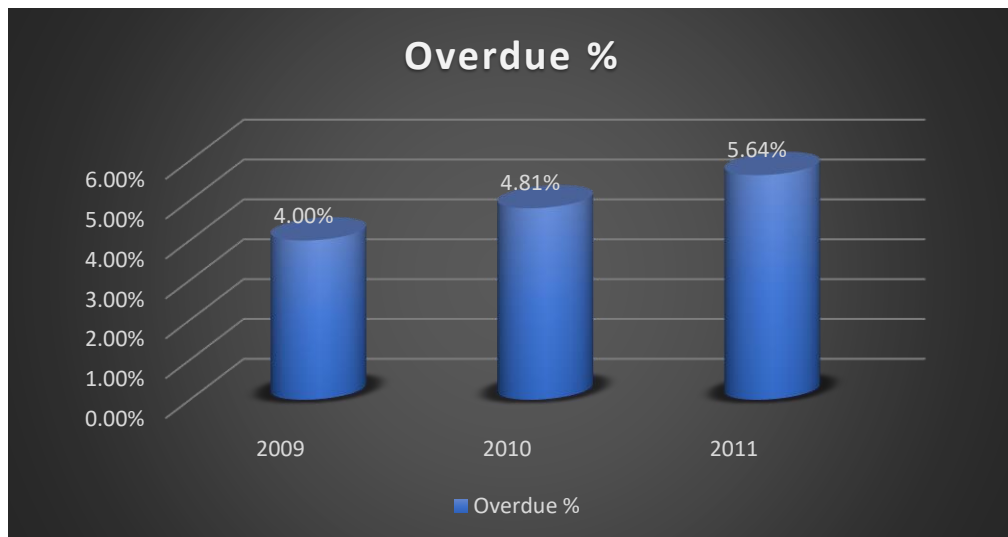
**Table: 6**

Year	Outstanding	Overdue amount	Overdue %	Recovery Rate %
2016	983,371,052	37,023,060	4.00%	96.00%
2017	3,386,132,018	162,927,619	4.81%	95.19%
2018	3,833,560,990	216,233,972	5.64%	94.36%

**Graph: 6**



**Graph: 6.1**



**Comment:**

In a labor-intensive country like Bangladesh, SMEs are the engine of growth. It increases purchasing power as well as aggregate demand by improving employment opportunities. Despite increased attention and policy efforts on Bangladesh's critical Small and Medium Enterprises (SME) sector, the industry's growth has slowed due to a funding issue.

# Chapter-4

## Retail Banking

## 4.1 Retail Banking

Individual bank customers can take advantage of a wide range of attractive and competitive products and services offered by the retail division. Several lending items are currently available, and several other exciting new products will be available soon. It also offers a variety of term deposit options as well as competitive STD and saving deposit options that pay interest on daily balances. It has introduced an innovative and one-of-a-kind remittance service called Secured and Easy Remittance Service as part of its comprehensive banking solution. The goal of the service's program is to create a simple and secure solution that allows users to send money without hassle or delay. Using BRAC's countrywide network of more than 1100 field offices, remittances will be sent securely and within 24 hours anywhere in Bangladesh. BBL is focusing more on their retail division these days, to provide full pleasure to its present and new consumers, as well as expand their branch network.

## 4.2 Retail Banking Products and Services

### 4.2.1 Deposit products

- Transactional Accounts are also known as CASA (Current & Savings Accounts).
- Term Deposits are sometimes known as HNW (High Net Worth) (TD).

### 4.3 The following are the key CASA products

#### 1. Classic Savings

The Savings Classic Account has a checkbook and pays interest in local currencies. The account must have a minimum balance of BDT 15,000 to open. This account pays interest at a rate of 5.5 percent per year, which is credited to the account every six months. Any balance that is greater than zero will be charged interest. Interest forfeiture regulations apply to this account. Annual Account Maintenance Fees of BDT 800 + VAT and Annual Debit Card Fees of BDT 520 + VAT will be charged when the account is opened and each year on the account anniversary. A complimentary 12-page checkbook is included with the account. Users can acquire a complimentary second cheque book with 12 pages if their account balance is BDT 15,000 or greater. You will be charged Tk 100 + VAT if your balance is less than BDT 15,000. A unique cheque book with 25/50/100 pages will set you back BDT 4 + VAT per page. Every six months, customers receive a bank statement. Interest will be forfeited under the following circumstances.

#### 2. Savings Account with Triple Benefits

The Triple Benefits Savings Account is a checkbook-enabled, interest-bearing savings account in local currency. A minimum balance of BDT 50,000 is required to open an account. The interest rate on this account is between 4% and 8% p.a., and it is credited to the account on a monthly basis. The following are the slabs of interest:

Average monthly balance	Rate
if the amount is less than Tk. 50,000	0%
Tk. 50,000 to less than Tk. 5 lac	4%
Tk. 5 lac to less than Tk. 25 lakh	6%
Tk. 25 lac & more	8%

Interest will be paid on any balance of BDT 50,000 or more. This account is exempt from interest forfeiture rules. There are no upfront fees, such as an annual account maintenance fee or a fee for using a debit card. Customers who do not maintain a BDT 50,000 Half-Yearly Average balance will be charged BDT 750 + VAT every half year, on the 1st January and 1st July of each year. The account comes with a complimentary 12-page first cheque book. If the account balance is BDT 50,000 or more, users can get a complimentary second cheque book with 12 pages. If the balance is less than BDT 50,000, a fee of BDT 100 plus VAT will be applied. This account does not have a special cheque book. This account will not be used to disburse loan funds.

### 3. Account Femina

Femina Account is an interest-bearing savings account in local currency that does not include a check book. The minimum balance required to start an account is BDT 5,000. This account pays a 6.5 percent annual interest rate, which is credited to the account monthly. Interest is calculated on the balance at the end of the day. Interest will be paid on any balance that is more than zero. There is no charge for account maintenance each year. An annual ATM Card Fee of BDT 400 + VAT will be levied at the time of account opening and every year on the anniversary of the account. This account is not linked to a checkbook. A customer can, however, pay a premium for a unique 12-page cheque.

#### **4. Current Classic**

The Current Classic Account is a non-interest-bearing account in local currency with a checkbook. BDT 15,000 is the minimum account opening balance. This account is of no use to you. Annual Account Maintenance Fees of BDT 800 + VAT and Annual Debit Card Fees of BDT 520 + VAT will be levied at the time of account opening and every year on the anniversary of the account. The account comes with a free 12-page checkbook. If the account balance is BDT 15,000 or more, users can get a complimentary second cheque book with 25 pages. If your balance is less than BDT 15,000, you will be charged Tk 100 plus VAT. For a fee of BDT 4 + VAT per page, a special cheque book of 50/100 pages will be issued. If you make more than 5 (five) transactions in a day, the Schedule of Charges will apply to each additional transaction.

#### **5. Ezee Account**

The Ezee Account is an interest-bearing current account in local currency that does not come with a checkbook. A minimum balance of BDT 10,000 is required to open an account. This account pays 4% annual interest, which is credited to the account every six months. Any balance that is greater than zero will be charged interest. Each year, there is no payment for account maintenance. A BDT 520 + VAT yearly VISA Debit Card Fee will be charged at the time of account opening and every year on the account anniversary. This account does not have a checkbook attached to it. However, a client might pay a charge for a customized 12-page check book.

#### **6. Payroll Account**

Employees of a variety of corporations can deposit their monthly income into a salary account, which is a non-cheque book individual account with an overdraft facility. Employees of MNCs, LLCs, MID CORPs, NGOs, big proprietorships, and partnership firms, in addition to foreign nationals, are eligible to open this account. The annual interest rate on the Salary Account is 4%. Any balance that is greater than zero will be charged interest. Interest will be calculated on a daily basis and paid out every three months. There is no annual account maintenance cost in the Salary Account. Annual ATM Card Fees of BDT 300 + VAT will be due when the account

is started and again on the anniversary of the account. A salary account is one that does not have a checkbook attached to it. A consumer, on the other hand, can pay BDT 300 + VAT for a one-of-a-kind 12-page check.

#### **7. Prapti's current account:**

It's a Business Account; it's an interest-bearing account for SME and retail banking that's solely for business. Customers do not need to maintain a minimum balance to access the account, and their daily balance earns 4% interest.

#### **8. Create a Campus Account**

Campus Account is a non-checking individual account for students from various educational institutions.

Institutes. The product's parameters have been created in such a way that students will be encouraged to use BBL's extensive variety of modern banking services. They also earn 4% interest on their daily balance and discounts at other stores.

#### **9. Added value:**

It requires a starting balance of 25,000 dollars. It allows you to use a Visa debit card. It does not charge a fee for using a debit card or an upfront fee. It also doesn't charge for intercity transactions. There are no yearly or half-yearly fees associated with this account.

### **4.3.1 The following are the primary High Net Worth products**

#### **First Fixed Deposit with Interest**

Customers do not have to wait until their fixed deposit matures to collect interest in this account. Customers can get their interest right away when they deposit with BBL IFFD. This is a one-of-a-kind BBL product in which clients receive interest in advance.



## **BBL Abiram Abiram**

Account is a one-of-a-kind Fixed Deposit Scheme. It offers the convenience and security of a guaranteed monthly return on investment. This account ensures that the customer's investment is safe and constant. This deposit allows you to borrow up to 95% of the deposit's value.

## **Fixed Deposit with Freedom**

Individuals will benefit from the Freedom Fixed Deposit, a fixed deposit product tailored to their needs. It works in the same way as a regular fixed deposit, but with the extra bonus of quarterly interest. The deposit will have a minimum period and a higher interest rate than the existing Fixed Deposit rate. Clients are given a 90% loan on face value, with interest paid quarterly after income tax is deducted from the interest amount.

## **Short-Term Investment**

Customers can make money by putting money into a short-term deposit. This account requires a minimum amount of Taka 100000 to open, and interest is paid twice a year, but monthly if the account balance is Taka one lac or more.

## **Premium on Fixed Deposits**

It is a monthly savings plan with terms ranging from one to fifteen years. Customers can save in tiny amounts and receive a significant return when they reach maturity. This account can be simply maintained by linking it to a customer's account, which implies that monthly installments will be deducted automatically from the customer's account.

## 4.4 Loan Products

BBL offers loans that are classified as term finance based on the length of the loan. It is divided into two categories: short term and long term. There are two types of term finance: fund-based and non-fund-based.

BBL offers a variety of financing options. They are as follows:

- Home Loan
- Vehicle Loan
- Salary Advance
- Fast Loan &
- SL & SOD

## 4.5 Products Cards

### 4.5.1 Types of Products

01. Gold VISA Card – Local
02. VISA Classic Card – Local
03. VISA Gold Card (Dual) (international credit card)
04. VISA Classic Card – Dual (international credit card)

### 4.5.2 BIN

**The following is a list of BRAC Banks**

- Local 432146 Visa Classic (Silver)
- Visa Classic 432145 (Silver)
- Dual Card 432145 Visa Classic (Silver)
- Dual Card 432145 Visa Classic
- Visa Gold Local 432148
- Visa Gold Dual 432147

### 4.5.3 Description of the product

#### 01. Visa Local Classic:

This is a Bangladesh-specific Visa credit card that is exclusively valid in Bangladesh. It can only be used within Bangladesh in local currency (BDT). The credit limit on this card ranges from BDT 10,000 to BDT 74,999. Customers in the medium-earner category will benefit from this type of card.

#### 02. Visa Local Gold:

This is a local Visa taka card with solely Bangladeshi acceptance and BDT as the transaction currency. The difference between these two cards is that the traditional card has a higher credit limit. Visa Gold Card credit limits range from BDT 75,000 to BDT 5,000. Customers in the higher-earning segment will benefit from this type of card.

#### 03. Visa Classic Dual:

This is a single plastic card that may be used to conduct transactions in two different currencies. It has in-country and out-of-country acceptance jurisdictions in BDT and USD, respectively. Customers in the medium-earner segment will benefit from the classic dual. It will have a USD credit limit that is within the permitted BDT limit for this category.

#### 04. Visa Gold Dual:

This is a high-value dual card that comes with all the same perks as the standard dual card. Gold dual is also for higher-earning clients, with a USD credit limit that is limited to the permitted BDT maximum for this category. A secured dual card's maximum limit against a lien on an RFCD or ERQ account will be USD 30,000.

#### 4.5.4 Staff Card

This card is just for BBL permanent and contract employees who have access to the unique features listed in the product parameter. Because they will be maintaining an account with BBL, the staff card will be more secure than the customer card. When a member of staff leaves the company, he or she can continue to use his or her BBL Credit Card as a regular consumer.

# Chapter-5

## Findings, Recommendation & Conclusion

## 5.1 Findings

BRAC Bank is an important player in Bangladesh's SME sector. BBL has provided loans to 265,000 consumers totaling 10,000 crore TK as of April 2010. BBL was the first to offer SME loans. They have adopted various techniques for the development of this industry, which is BBL's most profitable commodity. In recent years, they have introduced a variety of SME lending products to meet the needs of various target customers. During the survey analysis and three-month internship term, this report discovered various shortcomings in the BBL SME sector. The following are the report's findings:

- The age of the borrower has a considerable impact on the repayment of a small business loan. Young entrepreneurs recover at a slower rate. On the other hand, because middle-aged and experienced entrepreneurs are quite dependable when it comes to loan repayment, they can make timely and accurate repayments. As a result, the majority of SME loan borrowers are between the ages of 30 and 40.
- Over the last three years, the amount of overdue has climbed each year, but the recovery rate has declined each year.
- Many clients seek to lower their interest rate and lengthen their loan.
- The large quantity of documents in the helpdesk causes delays in the disbursement process. Although the Zonal office can authorize up to 5 lacs, the percentage of repeat customers is fast increasing, and most of the time they apply for more than 5 lacs.
- The Argo-based industry or sector receives a lower loan amount than the trade sector.
- The number of installments (period of loan) and the amount of loan taken have a minor impact on the recovery rate. However, recent trends reveal that BRAC likes to award loans of \$300,000 with tenure of 18 to 24 months.

## 5.2 Recommendations

The following proposals are made for the current and future viability of BRAC Bank Limited's SME:

- Prior to financing, the age, experience, income, and previous loan history of the entrepreneurs should be prioritized and thoroughly studied. Because these factors have a significant impact on loan recovery.
- BBL should launch some promotional activities and heavily publicize their SME products to the general public, as well as inform them that BBL is a bank, just like any other bank, and not an NGO.
- SME product features should be more appealing than those of competitors in order to reduce risk and attract more potential customers. To do this, BBL should conduct periodic product research on competitors' offerings.
- By taking advanced steps in the manner of disbursement, charge documents, and approval process, bottlenecks or impediments should be addressed.
- The loan facility parameter should be increased so that everyone can acquire a loan that meets their demands.
- At the branch level, business power for granting loans and advances might be increased.
- CROs are the primary conduit between the bank and its consumers. They have set a monthly objective for a particular number of customers. They do not evaluate borrowers' histories to meet their goal, and as a result, the number of defaulters is increasing day by day. CROs are also dissatisfied with the compensation package offered to them. As a result, the bank should take corrective action in these areas.
- To properly exploit the vast potential customer categories, more SME service centers must be deployed.

### 5.3 Conclusion

BRAC Bank Limited is a strong and successful financial firm. It's a strong, modern, forward-thinking local bank with a proven track record of success. It's the next generation's bank. It provides high-quality financial services and products in order to contribute to the country's overall socio-economic development by increasing GDP, exports, job opportunities for educated youth, raising the standard of living for low-income groups, and overall sustainable socio-economic development. In terms of efficiency, capital sufficiency, asset quality, and good management, the bank strives to be Bangladesh's best private commercial bank. The bank must make a concerted effort to be more outward-looking and aware of what is going on in its aims. They should also pay more attention to the domestic scenario and assess any special trends or strategies used by their competitors. Rather than blaming problems on external factors, the bank must acknowledge any failures and use them as a springboard for achieving future objectives. The bank will be able to continue to play an important role in our economy in this way.



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