

INTERNSHIP REPORT ON

AN APPRAISAL OF MERCANTILE BANK LIMITED



Prepared for,

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EAST WEST UNIVERSITY



April 18, 2007

To
Dr. Tanbir Ahmed Chowdhury
Professor
Department of Business Administration
East West University,
43, Mohakhali C/A, Dhaka-1212

Subject: Submission of Internship Report.

Dear Sir:


I have great pleasure to replace before you my Practical Orientation in Bank report on Mercantile Bank Limited, 25/1, Zindabazar 1st Lane, Nayabazar, Dhaka, where I have completed my orientation in Bank program from 15th January to 12th April 2007 as a part of the BBA curriculum. I have observed and studied different functions of a bank and was assigned to submit a report on "An appraisal of Mercantile Bank Limited".

To prepare this report, I have gathered what I believe to be the most complete information available. Much of the information has been collected by reading different books, articles, annual report, web site etc, related to the Banking arena.

The experience I have gathered during this period will remain as an invaluable asset of immense useful in my life. I have worked hard preparing this report and I hope it will satisfy my course requirement for BBA Program. I will be always available for answering any query on the report. I request you to excuse me for any mistake that may occur in the report despite of my best effort.

Thanking You

Sincerely yours,



18.04.07

Md. Ashraful Alam
ID# 2003-2-10-021

ACKNOWLEDGEMENT

I am very glad that in spite of many limitations I have completed the Report successfully. Preparing this report, I received cordial and sincere assistance from many concerns.

First of all I wish to thanks the immeasurable grace and profound kindness of the Almighty Allah, the supreme authority of the universe. From the first inception until the final completion of this report, the success of this study rests not on me alone but on the contributions of many persons who have inspired, influence and guided my work.

I express my deep sense of gratitude and sincere appreciation to my respected teacher Dr. Tanbir Ahmed Chowdhury for his guidance tolerance, sincerity and wholehearted contribution till the ending of my report. I am under his supervision during the internship duration and preparation of my report.

I am profoundly grateful to the Managing Director of Mercantile Bank Ltd, for his kind consideration to my internship in this bank. I am very much grateful to him.

I am grateful to Mr. Syed Ahmadul Karim, Senior Vice President, MBL, and Branch incharge of Nayabazar Branch for his kind co-operation and assistance to arrange practical observation, so that I could adopt myself in the working environment easily. It is my duty to thank all the officials of Mercantile Bank Ltd, Naya Bazar Branch. Specially Mr. Md. Lutfullahil Mazid (Accounts Officer) and Mr. Ahmed Mehdi Imam (Accounts Officer). Besides, I would like to express my sincere gratitude to Mr. Md. Saiful Karim (AVP), Mr. KM Alamgir Kabir (SEO), Mr. Md. Shamim Hossain (SEO) and Mr. Bipul Sharker (SEO) for their constant help in my internship period. I convey my heartfelt thanks to Mrs. Jahanara Begum (SEO); in evaluate contribution in my internship period in MBL, Naya Bazar Branch also. I would like to convey my best regard to all officials of the Naya Bazar Branch, MBL.

During my internship period I worked in different department like-Account opening, Closing & Transfer; Scheme Loan [CDS, MLS, CLS]; Fixed Deposit Received [FDR]; Foreign Exchange; Accounts Department; Remittance; Clearing; Commercial Credit [SOD]. I want to give special thanks to every person of those departments for their required support, encouragement, guidelines as well as generous comments and suggestions despite their very busy schedule.

My thanks also go to my friends for their support. I am also quietly and heartily indebted to my parents who always inspire, encourage and support me to pursue such study.

EXECUTIVE SUMMARY

A Bank is an economic institution whose main aim is to earn profit through exchange of money & credit instruments. It is a service oriented as well as profit oriented organization. To perform those two functions simultaneously, the Bank divides its operation mainly in three parts- General Banking, Loan & Advances and Foreign Exchange. Bank also invests their money into different financial security and also in different types of project to diversify the risk and getting more profit.

The banking sector of Bangladesh is passing through a tremendous reform under the economic deregulation and opening up the economy. Currently this sector is becoming extremely competitive with the arrival of multinational banks as well as emerging and technological infrastructure, effective credit management, higher performance level and utmost customer satisfaction.

Mercantile Bank Limited is one of the leading private commercial Banks having a spread network 35 branches across Bangladesh and plans to open few more branches to cover the important commercial areas in Bangladesh. The bank has been operating in Bangladesh since 1999 and has achieved public confidence as a sound, stable and trustworthy Bank.

I have completed my internship in the Nayabazar Branch of Mercantile Bank Limited. During my internship period I found here a good job environment and also got a lot of cooperation from every department and every person. It is a great task to prepare a report on a big branch and at this moment I feel very happy to complete this. I found that Mercantile Bank gained success very early because they have a very strong backup to provide financial as well as administrative support. Within a very short time this bank has become very much popular to the people. They gained success from the very beginning of their operation and were capable enough to hold the success year after year.



TABLE OF CONTENT

1	<i>Introduction</i>	Page No.
	1.1. Origin of the Report 1.2 Background of the Report 1.3 Objective of the Report 1.4 Methodology of the Report 1.5 Limitation of the Report	1 1 2 2 3
2	<i>An Overview of Mercantile Bank Limited</i>	
	2.1 Banks And Banking Industry 2.2 Mercantile Bank Limited 2.3 Company profile 2.4 Vision of Mercantile Bank Limited 2.5 Mission of Mercantile Bank Limited 2.6 Objectives of Mercantile Bank Limited 2.7 Values of Mercantile Bank Limited 2.8 Strengths of Mercantile Bank Limited 2.9 Opportunity of Mercantile Bank Limited 2.10 Information Technology(IT) and Automation 2.11 Human Resources Development (HRD) 2.12 Website 2.13 Social Commitment and Future prospect 2.14 Corporate Structure Of Mercantile Bank Limited 2.15 Hierarchy of Mercantile Bank Limited 2.16 Branches of Mercantile Bank Limited	4 4 5 5 5 6 6 6 6 6 6 6 6 6 7 7 7 7 7 7 8-9 10 11-12
3	<i>An Overview of the Principle Activities of Mercantile Bank Limited</i>	
	3.1 Capital structure of Mercantile Bank Limited 3.2 Trends of Branch Expansion of Mercantile Bank LTD 3.3 Number of Employees of Mercantile Bank LTD 3.4 Personal Banking	13 13-14 14-15 15-23

	3.5 Major Activities of Mercantile Bank at a glance 3.6 General Banking 3.7 Loans and Advance 3.8 International Trade and Foreign Exchange Operations 3.9 Number of Foreign Correspondent/Bank	23 24-28 29-35 36-43 43-44
4	<i>An Appraisal of the Performance of Mercantile Bank Limited</i>	
	4.1 Deposit Mobilization of Mercantile Bank Limited 4.1.2 Deposit Mix for Mercantile Bank Limited 4.2 Loans and Advances 4.3 Import Business of Mercantile Bank Limited 4.4 Export Business of Mercantile Bank Limited 4.5 Guarantee 4.6 Investment of Mercantile Bank Limited 4.7 Total Income of Mercantile Bank Limited 4.8 Total Expense of Mercantile Bank Limited 4.9 Total Income Vs Total Expense 4.10 Net profit after tax of mercantile Bank Limited 4.11 Fixed Assets of Mercantile Bank Limited 4.12 Earning Per Share of Mercantile Limited 4.13 Dividend of Mercantile Bank Limited 4.14 Return on Equity of Mercantile Bank Limited 4.15 Return on Assets of Mercantile Bank Limited 4.16 Non performing loan as % of total Advances of MBL 4.17 Volume of non- performing loans of MBL 4.18 Amount of provision against classified and unclassified loans of MBL 4.19 Capital adequacy ratio of Mercantile Bank Limited 4.20 Operating Efficiency Ratio of MBL 4.21 Net Interest Margin of Mercantile Bank Limited	45 46 47 48 49-50 50-51 51-52 52-53 53-54 54-55 55-56 56-57 57-58 58 58-59 59-60 60 60-61 61 62 63 64
5	<i>Problems of Mercantile Bank Limited</i>	
	5.1 General problems of the Bank	65-66

6	<i>Recommendation</i>	
	6.1 Suggestion for the development of Mercantile Bank Limited	67-68
	6.2 Some Threats for Mercantile Bank Limited	68
	Conclusion	69
	Bibliography	70

LIST OF TABLES

SL NO.	Name of the Tables	Page No.
1	Share range analysis of MBL	13
2	No. of Branches of MBL	13
3	No. of Employees of MBL	14
4	No. of Foreign Correspondent/Bank	43
5	Deposit Mobilization of MBL	45
6	Deposit Mix for MBL	46
7	Loans and Advances	47
8	Import Business of MBL	48
9	Export Business of MBL	49
10	Guarantee	51
11	Investment of MBL	52
12	Total Income of MBL	52
13	Total Expense of MBL	53
14	Total Income Vs Total Expense	54
15	Net profit after tax of MBL	55
16	Fixed Assets of MBL	56
17	Earning Per Share of MBL	57
18	Dividend of MBL	58
19	Return on Equity of MBL	58
20	Return on Assets of MBL	59
21	Non performing loan as % of total Advances of MBL	60
22	Volume of non- performing loans of MBL	60
23	Amount of provision against classified and unclassified loans of MBL	61
25	Capital adequacy ratio of MBL	62
26	Operating Efficiency Ratio of MBL	63
27	Net Interest Margin of MBL	64

LIST OF CHARTS

SL NO.	Name of the Tables	Page No.
1	Branch Expansion of MBL	14
2	Employees Growth of MBL	15
3	Foreign Correspondent/Bank of MBL	44
4	Deposit Mobilization of MBL	45
5	Deposit Mix for MBL	46
6	Loans and Advances	47
7	Import Business of MBL	48
8	Growth of Import Business of MBL	49
9	Export Business of MBL	49
10	Growth of Export Business	50
11	Guarantee	51
12	Investment of MBL	52
13	Total Income of MBL	53
14	Total Expense of MBL	54
15	Total Income Vs Total Expense	55
16	Net profit after tax of MBL	56
17	Fixed Assets of MBL	57
18	Earning Per Share of MBL	58
19	Dividend of MBL	58
20	Return on Equity of MBL	59
21	Return on Assets of MBL	59
22	Non performing loan as % of total Advances of MBL	60
23	Volume of non- performing loans of MBL	61
25	Amount of provision against classified and unclassified loans of MBL	61
26	Capital adequacy ratio of MBL	62
27	Operating Efficiency Ratio of MBL	63
28	Net Interest Margin of MBL	64

INTRODUCTION



1 Introduction:

1.1 Origin of the Report:

Each professional degree needs practical knowledge of the respective field of discipline to be fruitful. To complete BBA program also has an internship, relating to the exchange of theoretical knowledge into the real life practical situation. The Internship report entitled “An Appraisal of Mercantile Bank Limited” originated from the partial fulfillment of the internship program. The main purpose of the preparation of the report is due to the partial fulfillment of the internship program phase of the BBA program conducted by Department of Business Administration, East West University, Dhaka.

During the internship program, I am under the supervision and guidance of Dr. Tanbir Ahmed Chowdhury, professor, Department of Business Administration, East West University.

1.2 Background of the Report:

In the later 19th century, Finance was a part of the Economies. But due to the globalization and more expansion of international trade, Finance place the major role for the economic development. The development of the modern economy would not have been possible without the use of money. A first fundamental characteristic of money is that it is very much like collective goods. It is a parallel relationship between money and Banking. Bank is an important and essential institution for the necessity of the use of money and the protection of the money.

As a BBA student whose are major in Finance, Financial institution are the most appropriate field to gather the experience and among the financial institution, Bank is the most prominent place. With a view to supply skilled personals in banking arena, East West University has undertaking the Internship training program for the BBA students. As a part of the BBA program I placed in Mercantile Bank Limited, NayaBazar Branch for having practical exposure in the Bank for three months Internship program.

1.3 Objective of the Report:

- **The main objective of the study is to get a clear idea about the Banks, and how it runs and what function it does.**
- **To know about the overall Banking system.**
- **To apply theoretical knowledge into practical arena.**
- **To gather practical knowledge.**
- **To analyze the financing system of the Bank and to find out if the bank has any field to improve upon and greater contribution towards the country's economy.**
- **To examine the profitability and productivity of the Bank.**
- **To familiarize the working hours, values and environment of the Bank.**

1.4 Methodology of the Report:

While I was conducting the study I have collected various types of primary and secondary data. Data has been collected through different sources, by interviewing the responsible officers and from different circular published by the Bank disciplined way I can say that the study input were collected from two sources:

(A) Primary Sources:

- ✓ **Practical desk work**
- ✓ **Face to face conversation with the officers**
- ✓ **Face to face conversation with the clients**
- ✓ **Personal observation**

(B) Secondary Sources:

- ✓ **Annual report of the Mercantile Bank Limited**
- ✓ **Circular of the Mercantile Bank Limited**
- ✓ **Published or unpublished data**
- ✓ **Collected data from officers and Head office of Mercantile Bank Limited**
- ✓ **BIBM Training program books**
- ✓ **Newspapers**



1.5 Limitation of the Report:

Although I have received co-operation from the concerning body but most of the time they were busy with their work that's why I did not get so many time, as I would like to have. The administrative authority, management policy and decision making policy is in the hands of the head office. As a BBA student it is needed to gather the experience that, how to take the decision when the bank fall into a program and what is it's management policy, how to set up their portfolio, what is their business strategy but a branch does not do so.

The following limitations are apparent in the report:

- ✓ Time is the first limitation as the duration of the program is very few days only.
- ✓ Another limitation of the report is Banks policy is not disclosing some data and information for obvious reason, which could be very much useful.



An Overview Of Mercantile Bank LTD



2 An overview of Mercantile Bank Ltd

2.1 Banks and Banking Industry:

Bangladesh is a developing country of southern Asia. After a long colonial struggle, the country emerged as an independent nation only in 1971 with a population of 140 million.

Being a less developed country, Bangladesh has to depend much on commercial banks for our economic development. This sector assumes particular importance in developing a country like Bangladesh.

A Bank is a financial institution whose main objective is the mobilization of fund from surplus unit to deficit unit. In the process of acceptance of deposits and provision of loan, Bank creates money. This characteristic feature sets Bank apart from other financial institution. A Bank can influence the money supply through lending and investment. A Bank is an economic institution whose main objective is to earn profit through exchange of money and credit instruments.

Now -a- days banking sectors are growing rapidly. Commercial Banks are the primary contributors to the economy of Bangladesh. People and the Government itself are very much dependent on the effective and efficient service provided by these banks in the financial market. Commercial banks act as financial intermediaries by performing the functions of mobilizing the funds from one group of people, lending the same to other group of people and thus achieving a reasonable amount of profit after meeting the cost of fund.

Commercial Bank is one which is concern with accepting deposit of money from the public, repaying on demand or otherwise and withdraw able on demand or otherwise and employing the deposits in the form of loan and investment to meet the financial needs of business and other classes of society.

All commercial banks have contributed more or less in the economy of Bangladesh. Banking in Bangladesh is dominated by both public and private commercial banks. Among them the private banks have been acquired a major part.

2.2 Mercantile Bank Limited:

Mercantile Bank Limited (MBL) is committed to provide high quality services to its constitutes through different financial products and profitable utilization of fund and contribute to the growth of GDP of the country by financing trade and commerce, helping industrialization, boosting export, clearing employment



opportunities for the educated youth and encouraging micro-credit lending to the overall socio- economic development of the country.

Mercantile Bank Limited (MBL) a 3rd generation private commercial bank of country was incorporated in Bangladesh as a banking company under the Company Acts 1913 and started its operation on 2nd June 1999. Numerically it is just another commercial bank, one of many now operating in Bangladesh, but the finders are committed to make it a little more different and a bit special qualitatively. This bank will have a new vision to fulfill a new goal to achieve. It will try to reach new heights for realizing its dream.

Mercantile Bank Limited (MBL), a bank for 21st century, it is not a mere slogan. The bank has been manned with talented and brilliant personnel, equipped with most modern technology to most efficient to meet the challenges of 21st century.

As regards the second slogan of bank efficiency is our strength is not a mere pronounced but part of their belief, which will inspire and guide them in their long and arduous journey ahead.

Mercantile Bank Limited, Naya Bazar Branch started its operations at 18th April in 2001. The branch has three particular divisions. They are the following:

- A. General Banking Division
- B. Foreign Exchange Operations
- C. Loans & Advance Division

2.3 Company profile:

Mercantile Bank Ltd. is a 3rd generation private commercial bank which Head office at 61, Dilkusha C/A, Dhaka, Bangladesh, started its operation on 2nd June 1999. The bank has now 35 branches spread over the country with assets of Tk.28890.48 million more than 663 employees. The bank has diversified activities in retail banking, corporate banking and International banking.

2.4 Vision of Mercantile Bank Limited:

- ✓ Would make finest corporate citizen.

2.5 Mission of Mercantile Bank Limited:

Mercantile Bank will become most caring, focused for equitable growth based on diversified deployment of resources and nevertheless would remain healthy and gainfully profitable Bank.



2.6 Objectives of Mercantile Bank Limited:

Strategic objectives:

- ✓ To achieve positive Economic Value Added (EVA) each year;
- ✓ To be market leader in product innovation;
- ✓ To be one of the top three Financial Institutions in Bangladesh in terms of cost efficiency;
- ✓ To be one of the top five Financial Institutions in Bangladesh in terms of market share in all significant market segments we serve.

Financial objectives:

- ✓ To achieve a return on shareholders' equity of 20% or more, on average.

2.7 Values of Mercantile Bank Limited:

- ✓ ***For the customers:*** Providing with caring services by being innovative in the development of new banking products and services.
- ✓ ***For the shareholders:*** Maximizing wealth of the Bank.
- ✓ ***For the employees:*** Respecting worth and dignity of individual employees devoting their energies for the progress of the Bank.
- ✓ ***For the community:*** Strengthening the corporate values and taking environment and social risks and reward into account.

2.8 Strengths of Mercantile Bank Limited:

- ✓ Well- capitalized Bank with potential to increase capital base.
- ✓ Homogenous Board of Directors.
- ✓ Computerized customer services.
- ✓ Customer's faith as a stable and dependable Bank.

2.9 Opportunity of Mercantile Bank Limited:

- ✓ Public confidence as a financially stable Bank.
- ✓ Control and monitoring of the borrowers can be handled in a more consolidated manner.
- ✓ Less opportunity of bad debt.
- ✓ Secured market minimizing risk factors.
- ✓ More commercial branches.

2.10 Information Technology (IT) and Automation:

All the branches of the MBL are fully computerized. New software is now in use to provide faster, accurate and efficient services to the clients. The Bank is continuously striving for ensuring better services through extensive automation of its branches. The Bank has set up a full-fledged IT division to keep abreast of the latest development of IT for ensuring better service in the days to come.

2.11 Human Resources Development (HRD):

The Bank's work force is composed of personnel having sound academic backgrounds with vast experience in Banking. Human resources development creates an environment by dynamic, enthusiastic and vigorous participation of all individuals. With opening new branches the total head count would increase in the year 2005. To make the personnel of the Bank knowledgeable and truly professional, it arranges training for them at Head office of the Bank, BIBM and other institutions. The management of the Bank sits with the branch managers and departmental heads in regular meeting that provide scopes for open discussion, which help in formulating new strategies for achieving targets of the Bank. The Bank also gives due emphasizes on the motivational side of the employees by providing them competitive salary/pay packages well as by creating pro-active job environment in the Bank.

2.13 Website:

The Introduction of Internet has changed the traditional concept of world trade and commerce. As the time is progressing its necessity is being felt more in the prevailing competitive environment since no organization can afford to remain in isolation with rest of the world for its survival. Mercantile Bank's own IT team has developed a Web site to provide up to date information on the bank at fingertips to the trade and business communities of the world. It can be accessed to under the domain: www.mblbd.com

2.14 Social Commitment and Future Prospect:

This Bank has stepped into 7th year of its banking operations. So still at its infantile stage but within a short span of time, consolidated its position with all its inherent strength and weakness. This bank would continue to keep its commitment towards societal progress by participating in such programs in future. It would stand by the people through philanthropic activities whenever any crisis and disaster confront them.



It will be diversified in the days ahead of the management as they are planning to award students of exceptional academic performance with scholarship in different educational institutions. The bank is focused on securing quality business. The management is optimistic that the volume of business would continue to increase in the coming years through their pragmatic and customer friendly policies in line with their attempt to open some more branches in the commercially important places of the country.

2.15 Corporate Structure of Mercantile Bank Limited:

The sponsor directors of MBL are successful group of prominent local and non-resident of Bangladesh investors who have earned high credentials and excellent reputation in their respective fields of business at home and abroad. The board of directors of MBL consists of 13 members. The board of directors, the apex body of the bank, formulates policy guidelines, provides strategic planning and supervises business activities and performance of management while the board remains accountable to the company and its shareholders. The board is assisted by the Executive Committee and Audit Committee. Presently a team of experienced professional headed by the Managing Director and Executives manages the Bank.

Board of Directors:

- **Md. Abdul Jalil, Chairman**
- **Nargis Anwar**
- **Tazneen Aman**
- **Israt Jahan**
- **Farida Begum**
- **Nazifa Khanam Chowdhury**
- **AKM Shaheed Reza**
- **Golam Faruk Ahmed**
- **Md. Nasiruddin Chowdhury**
- **Morshed Alam**
- **Md. Shahabuddin Alam**
- **S.M. Abdul Mannan**
- **Saber Hossain Chowdhury**
- **Shah Md. Nurul Alam, Managing Director and CEO**

Executive Committee:

- **Golam Faruk Ahmed, Chairman**
- **Morshed Alam**
- **S.M. Abdul Mannan**
- **Nargis Anwar**
- **Tazneen Aman**
- **Israt Jahan**
- **Farida Begum**
- **Nazifa Khanam Chowdhury**
- **Shah Md. Nurul Alam, Managing Director and CEO**

Audit Committee:

- **Saber Hossain Chowdhury, Chairman**
- **Md. Nasiruddin Chowdhury**
- **Md. Shahabuddin Alam**

Managing Director and CEO:

- **Shah Md. Nurul Alam**

Consultant:

- **Md. Rabiul Hossain**

Company Secretary (Acting):

- **Mir Md. Hassanul Zahed**

Auditors:

- **A. Qasem & Co. and Khan Wahab Shafique Rahman & Co.
Chartered Accountants**

Tax Advisor:

- **K M Hasan & Co.
Chartered Accountants**



2.16 Hierarchy of Mercantile Bank LTD

CHAIRMAN			
BOARD OF DIRECTORS	Executive committee	Executive committee	Chief Advisor
MANAGING DIRECTOR		Company Secretary	
DEPUTY MANAGING DIRECTOR	Main branch		
EXECUTIVE VICE PRESIDENT	Dhanmondi Br.		
SENIOR VICE PRESIDENT	Kawranbazar Br.		Human Resources Dept.
VICE PRESIDENT	Banani Br.		Credit Division
SENIOR ASSISTANT VICE PRESIDENT	Rajshahi Br.		International Division
	Naogaon Br.		
ASSISTANT VICE PRESIDENT	Sylhet Br.		Central Account Division
	Naya Bazar Br.		Audit and Inspection Division
SENIOR PRINCIPAL OFFICER	Khatungang Br.		Development & Marketing Division
	Mohakhali Br.		Research & Planning Division
PRINCIPAL OFFICER	Mirpur Br.		General Service Division
	Agrabad Br.		
	Jubilee Road Br.		Treasury & Money Division
SENIOR OFFICER	Joy Para Br.,Dohar		
OFFICER	Ashulia Br.		
PROBATIONARY OFFICER	MadamBibirh at Br		
	Elephant Road Br.		
JUNIOR OFFICER	Uttara Br.		
ASSISTANT OFFICER	Motijheel Br.		
TRAINEE OFFICER	Board Bazar Br.		



2.17 Branches of Mercantile Bank LTD:

Mercantile Bank LTD opened one new branch in Sapahar, Naogaon district. Besides, recently it has opened a new branch at Mogh Bazar and Bijoy Nagar in Dhaka city. It has plans to open few more branches in Dhaka city very soon. The branches which are operating in different areas of Bangladesh are given following:

1) Main Branch 61, Dilkusha Commercial Area Dhaka-1000, Bangladesh	
2) Dhanmondi Branch House No.2/1, Road No.28(Old) Flat No.G-1, Dhanmondi R/A, Co	3) Kawran Bazar Branch 99, Kazi Nazrul Islam Avenue Kawran Bazar C/A, Tejgaon
4) Agrabad Branch 39, Agrabad Commercial Area Hotel Hawaii Building Agrabad, Chittagong, Bangladesh	5) Joypara Branch Samabay Super Market Joypara Bazar, Dohar Dhaka, Bangladesh
6) Banani Branch Plot No.34, Awal Centre Kemal Ataturk Avenue, Banani Dhaka-1213, Bangladesh	7) Rajshahi Branch ZODIAC Building (First floor) 88 Gonok Para Saheb Bazar, Zero Point
8) Naogaon Branch Chakdev, Naogaon, Bangladesh	9) Sylhet Branch Laldigirpar Sylhet, Bangladesh
10) Board Bazar Branch Plot No.651/652 Board Bazar Joydevpur, Gazipur, Bangladesh	11) Nayabazar Branch 25/1, Zinda Bahar (1st Lane) Nayabazar, Dhaka-1100, Bangladesh
12) Khatungonj Branch 599, Ramjoy Mohajan Lane Khatungong, Chittagong, Bangladesh	13) Mohakhali Branch Red Crescent Concord Tower 17, Mohakhali Commercial Area Dhaka-1212, Bangladesh
14) Mirpur Branch	15) Ashulia Branch



Razia Plaza (1st Floor) 184, Senpara Parbata, Mirpur-10 Dhaka-1216, Bangladesh	Byuiyan Complex Jamgora Bazar Ashulia, Savar
16) Uttara Branch House No.10A, Road No.7D Sector No.9 Uttara Model Town Uttara,	17) Jubilee Road Branch Kamal Chamber (2nd Floor) 61, Jubilee Road Kotwali, Chittagong, Bangladesh
18) Elephant Road Branch Osman Plaza 75, Elephant Road, Dhaka-1205, Bangladesh	19) Motijheel Branch Malek Manson (Ground Floor) 128, Motijheel Commercial Area Dhaka-1000, Bangladesh
20) Madam Bibir Hat Branch Bhatiary, Shitakund Chittagong, Bangladesh	21) Khulna Branch Rupsha Plaza 73, KDA Avenue Commercial Area Sonadanga, Khulna
22) Rangpur Branch Press Club Complex Station Road Kotwali, Rangpur, Bangladesh	23) Satmosjid Road Branch House No.735 (Old) ,82/A(New) Satmosjid Road, Dhanmondi R/A, Dhaka-1209, Bangladesh.
24) Jhilongja Branch Hotel Sea Palace Kalatoli Road Cox's Bazar, Bangladesh	25) O R Nizam Road Branch Commercial View Complex 191, C D A Avenue East Nasirabad, Medical College Panchlaish, Chittagong
26) Bogra Branch Barogola Road Bogra, Bangladesh	27) Chowmuhani Branch Karimpur Road Chowmuhani Noakhali, Bangladesh
28) Konabari Branch Konabari Bazar Gazipur, Bangladesh	29) Gulshan Branch 54A Gulshan Avenue Gulshan, Dhaka
30) Hemayetpur Branch Hatim Ali Complex Vill. Hemayetpur, P.S. Savar, Dhaka	31) Feni Branch 105 (New) S S Kaiser Road, Feni Town, Feni
32) Moulvi Bazar Branch Chowmuhona, P.S.Court Road, Dist. Moulvibazar	33) Bijoy Nagar Branch Kaizuddin Town 176 Shaheed Syed Nazrul Islam Sarani (New)
34) Mogh Bazar Branch 227 (New),331 (Old) Outer Circular Road (First Floor) Baro Moghbazar, Dhaka	35) Sapahar Branch Village and P.O. : Sapahar Union : Sapahar P.S : Sapahar, District : Naogaon

An Overview Of the principal Activities of Mercantile Bank LTD



3 An overview of Principle Activities of Mercantile Bank Ltd

3.1 Capital Structure of Mercantile Bank LTD:

Table -3.1: Share range analysis at 31st December 2005

Range		No. Of Share Holders	No. Of Shares	% Of Holdings
From	To			
1	499	4305	517688	5.18
500	5000	727	927991	9.29
5001	10000	52	386346	3.87
10001	20000	27	379060	3.79
20001	30000	30	735852	7.36
30001	40000	9	319307	3.20
40001	50000	7	310824	3.11
50001	100000	21	1480751	14.82
100001	1000000	21	4934897	49.38
		5,199	9,992,656	100.00

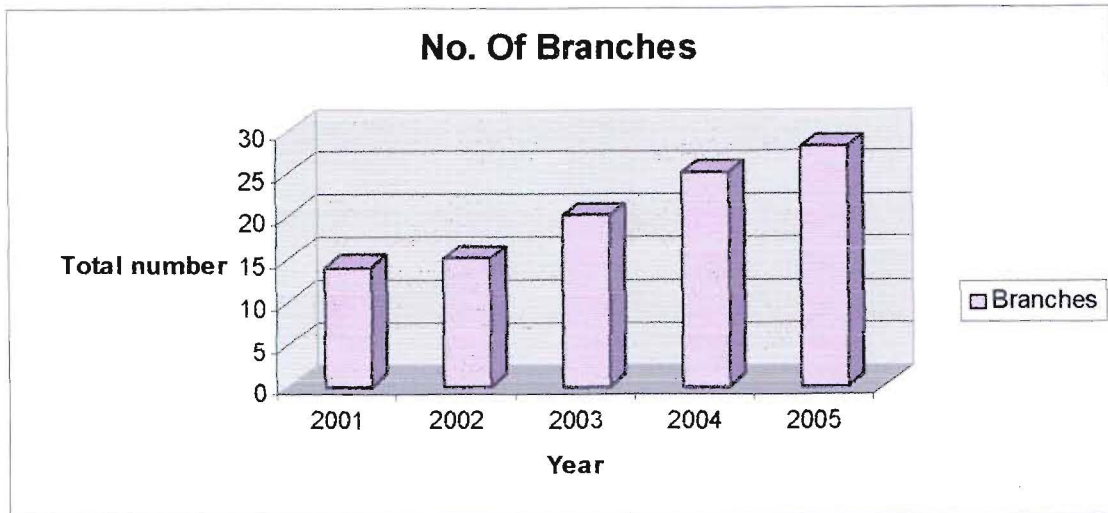
3.2 Trends of Branch Expansion of Mercantile Bank LTD

Table-3.2: No. Of Branches of Mercantile Bank LTD from the year 2001 to 2005

Year	No. Of Branches
2001	14
2002	15
2003	20
2004	25
2005	28



Chart-3.2: Graphical presentation of Branch Expansion



It can be seen from the table and the graphical presentation that no. of branches has increasing day by day. In the year 2001, it was only 14 branches and in 2005 it goes to 28 branches. It shows that MBL has rapidly increased their branches.

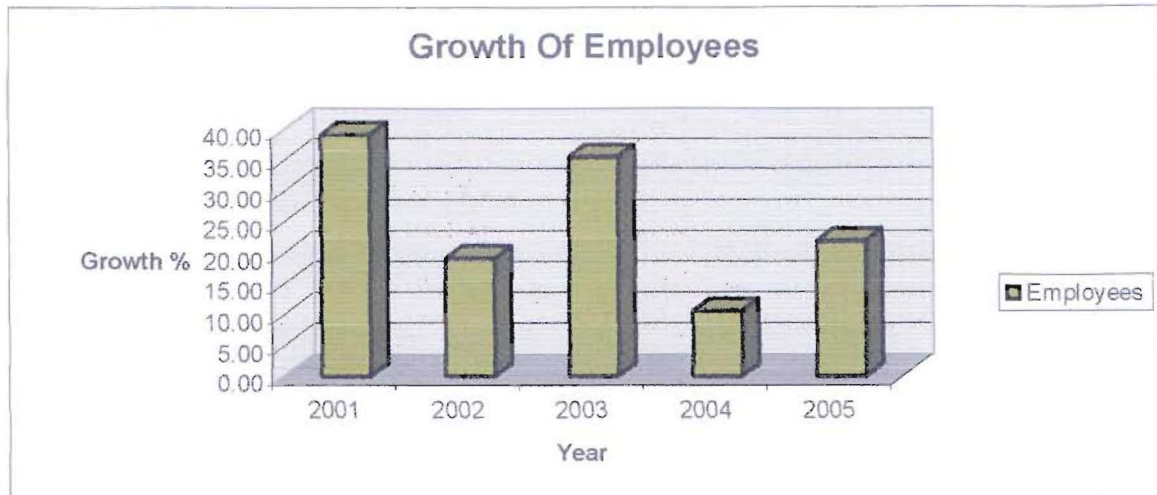
3.3 Number of Employees of Mercantile Bank LTD:

Table-3.3: No. Of Employees of Mercantile Bank LTD from the year 2001 to 2005

Year	No. Of Employees	Growth
2001	305	39.27
2002	363	19.02
2003	492	35.54
2004	544	10.57
2005	663	21.88



Graphical presentation of Growth of Employees



As the above graph shows that the growth of employees has an increasing and decreasing trend. It has been observed that one-year growth is high and the next year the growth is low. When there are some branch open, the growth is high. The highest growth was in 2001 (39.27%) and the lowest growth was in 2004 (10.57%).

3.4 Personal Banking:

Under personal banking Mercantile Bank Limited Provide the following services:

❖ Double Benefit Deposit Scheme:

Double Benefit Deposit Scheme is a time specified deposit scheme for individual clients where the deposited money will be doubled in 6 years. The key differentiators of the product will be:

- a. Amount of deposit - The minimum deposit will be BDT 100000.00 (either singly or jointly).
- b. Tenure of the scheme- the tenure of the scheme will be 6 years.
- c. Premature encashment - If any client chooses to withdraw the deposit before the tenure, then s/he will only be entitled to prevailing interest rate on savings account in addition to the initial deposit however, withdrawal of the deposited amount before one year will not earn any interest to the depositor(s).



- d. **OD Facility against Deposit** - Clients will have the option of taking advance up to 80% of the initial deposited amount. The lending rate will be tied up with the interest rate offered on the deposit
- e. **Govt. Charges** - The matured value is subject to taxes and other Govt. levies during the tenure of the deposit.

❖ **Monthly Savings Scheme (MSS):**

Mercantile Bank is well poised to be the leading Personal Banking business amongst the local private banks. Bank's conscious efforts in brand building, introducing and supporting new packaged products, developing PB organization along with nontraditional delivery channels have resulted in good brand awareness amongst its chosen target markets. Installment based savings schemes are a major category of saving instruments amongst mid to upper middle-income urban population. MSS is an installment based savings scheme (Masik Sanchaya Prokalpa) of Mercantile Bank for individual clients. The prime objective of this scheme is to encourage people to build up habit of saving. Under this scheme, one can save a fixed amount of money every month and get a lucrative amount of money after five, eight or ten years.

❖ **Family Maintenance Deposit:**

- Help the retired persons for investing their retirement benefits;
- Create investment opportunities for Non-Resident Bangladeshi;
- Explore investment opportunities for school, college, university etc;
- Give investment opportunities for Trust; Foundation etc.

Under this scheme, one can deposit certain amount of money for five years and in return he/she will receive benefits on monthly basis. Minimum amount of required deposit is TK.50, 000.00 or its multiple the benefit is TK.500.00 or it's multiple. Benefits start right from the first month of opening an account under the scheme and continue up to five years.

❖ **Special Savings Scheme:**

- Under this scheme, depositor's money will be tripled in 15-year period.
- Help in meeting specific needs like education, marriage etc.
- Triple of the amount deposited after 15 years.
- Minimum deposit shall be Tk.50, 000.00 or it's multiple.



❖ Pension and Family Support Deposit:

Pension and family support deposit has been evolved especially for senior citizens. Under this scheme one can get life long benefit if he/she deposits specific amount per month for a period of 10 or 15 years. The scheme can also be opened in the name of minors.

❖ Consumers' Credit Scheme:

- Consumers' Credit is relatively new field of collateral-free finance of the Bank. People with limited income can avail of this credit facility to buy household goods including computer and other consumer durables.
- For the amount up to Tk. 1,00,000 the period is two years.
- Interest rate will be charged quarterly rest.
- The loan amount is directly credited to the customer's account.
- Interest Rate 16.00%
- Risk Fund 1.00%
- Supervision Charge (per year on outstanding balances) 0.25%
- Application Fee BDT 200.00

❖ Small Loan Scheme

- This scheme has been evolved especially for small shopkeepers who need credit facility for their business and cannot provide tangible securities. Give collateral-free credit
- Maximum amount of loan Tk. 2,00,000.
- Interest Rate 16.00%;
- Risk Fund 1.00%;
- Service Charge 0.25% per year on outstanding balances;
- Application Fee BDT 200.00;
- Loan Limit BDT 2.50 Lac;
- Repayment period 3 years;
- Interest rate will be charged at quarterly rest

❖ Lease Finance

This scheme has been designed to assist and encourage the genuine and capable entrepreneurs and professionals for acquiring capital machineries, medical equipments, computers and other items. Terms and conditions of this scheme have been made easier in order to help the potential entrepreneurs to acquire equipments of production and services and repay gradually from earnings on the basis of 'Pay as you earn'.



- The primary security would be the Ownership of fixed items.
- Collateral: Landed property, Bank Guarantee, ICB Unit Certificate etc.
- Lease period 3 to 7 years
- Lease rent @ 16.00%
- Risk Fund 1.00%
- Service Charge 0.25% per year on outstanding balance

❖ Doctors' Credit Scheme:

Doctors' Credit Scheme is designed to facilitate financing to fresh medical graduates and established physicians to acquire medical equipments and set up clinics and hospitals.

- Help new F.C.P.S. or post-graduate doctors for setting up chambers and buying medical equipment.
- Help experienced doctors for refurbishing chambers and buying medical equipment.
- Assist private clinics for acquiring modern medical equipment.
- Interest rate will be charged at quarterly rest.
- Equity for new doctor 10%, for experienced doctor 15%, for hospital, clinic, diagnostic center 20%;
- Interest Rate 16.00%
- Risk Fund Tk. 1.00%
- Repayment period 5 years
- Credit limit for new doctor 5.00 Lac, for experienced doctor 15.00 Lac, for hospital, clinic, diagnostic center 50.00 Lac;
- Service Charge / Ledger Fee 0.25% per year on outstanding balances.
- Application Fee BDT 200.00

❖ Rural Development Scheme

Rural Development Scheme has been evolved for the rural people of the country to make them self-employed through financing various income-generating projects. This scheme is operated on group basis.

- Raise the standard of living of rural people.
- Initiative to break the vicious cycle of poverty.
- Enhance the purchasing power of rural people.
- Credit limit Maximum Tk. 5,000 per person, Gradually enhance able up to Tk. 10,000
- Interest Rate 14.00%, Risk Fund 1.00, and Repayment period 1 year.
- Service Charge 0.25% per year on outstanding balances.
- Security: Group guarantee, no collateral



❖ **Women Entrepreneurs Development Scheme**

Women Entrepreneurs Development Scheme has been introduced to encourage women in doing business. Under this scheme, the Bank finances the small and cottage industry projects sponsored by women.

❖ **Small and Medium Enterprise (SME) Financing Scheme**

Small and Medium Enterprise (SME) Financing Scheme has been introduced to assist new or experienced entrepreneurs to invest in small and medium scale industries.

❖ **Personal Loan Scheme:**

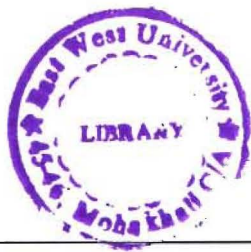
Personal Loan Scheme has been introduced to extend credit facilities to cater to the credit needs of low and middle-income group for any purpose. Government and semi-government officials, employees of autonomous bodies, banks and other financial organizations, multinational companies, reputed private organizations and teachers of recognized public and private schools, colleges and universities are eligible for the loan facilities.

- The loan amount is directly credited to the customer's account.
- Loan limit BDT 3.00 Lac or 8 times of monthly evidenced income, whichever is lower.
- Repayment period Maximum 3 years, that is 36 monthly installments.
- For the amount up to Tk. 3,00,000 the period is 03 (Three) years.
- Interest rate will be charged quarterly rest.
- Interest Rate 16.00%, Risk Fund 1.00%
- Supervision Charge (per year on outstanding balances) 1.00%
- Application Fee BDT 200

❖ **Car Loan Scheme:**

Car Loan Scheme has been introduced to enable middle-income people to purchase Cars/SUVs/Jeeps. Government and semi-government officials, employees of autonomous bodies, banks and other financial organizations, multinational companies, reputed private organizations, teachers of recognized public and private universities and businessmen are eligible for the loan facilities.

- Help fixed-income people for buying car
- Interest rate will be charged quarterly rest.



- Maximum loan amount is BDT 25.00 Lacs.
- Tenure of loan is 05 (Five) years
- Interest Rate 16.00%, Risk Fund 1.00%
- Supervision Charge (per year on outstanding balances) 0.25%
- Application Fee BDT 200.00
- BDT 7.50 Lac for reconditioned Car/Jeeps/SUVs and BDT 25.00 Lac for new Cars/Jeeps/SUVs.

❖ ATM Card:

Mercantile Bank Limited offers e-cash ATM card with all of its deposit accounts. To get ATM card customer has to apply separately while opening an account. It has a joint venture with E-cash, offers this card with the help of them. If an account holder has an ATM card with his/her account then Mercantile Bank hold a fixed amount of that account after concerning with the customer that hold amount only can withdrawal by ATM card. At a time a cardholder can withdraw tk 5000 (five thousand) and as many time he/she wants but not more than the hold amount

❖ Credit Card:

- ***Dual Card (two in one):*** Single card with double benefits. No hassle to carry two cards (local and international). A single credit card can be used both locally and internationally to withdraw cash from ATM for POS transaction. This is the special feature of MBL Visa card.
- ***No cash withdrawal fee:*** For withdrawals of cash from MBL ATM by MBL cardholders no cash advance fee is necessary and from any other Q-cash ATM the fee is Tk.10 only. MBL is the only bank offering such unique facility. Moreover, our Visa cardholder can also withdraw cash from any Visa logo ATM locally and internationally.
- ***Acceptability:*** International/Dual card is accepted all over the world at millions of outlets and ATMs. A Dual card is also accepted in most of the big cities like Dhaka, Chittagong, Khulna, Rajshahi, Sylhet at more than 10,000 outlets including 4500 POS. It covers various kinds of merchants like hospital, hotel, restaurant, department, store and the card have accessibility to any outlet having Visa logo.
- ***Credit facility:*** Mercantile Bank Ltd. Visa Credit card offers maximum 45 days credit facilities free of interest and minimum payment is 5% of outstanding billing payment for easy repayment and convenience of the customers.



- **Supplementary card:** A principal cardholder may apply for unlimited supplementary card under one principal card (local) where one supplementary card will be charged to the principal card.
- **Advance against Credit card:** MBL cardholder can take advance as term loan up to 50% of the card limit to be repaid on the monthly installment basis. Repayment period of such loan may be from 6 months to 36 months.
- **Checking facility against Credit card:** Cardholder maybe allowed enjoying chequing facility to avail the credit limit on case to case basis. For convenience in life, one can settle their day to day payment by cheque against any transaction where card is not accepted. Cheque maybe issued upto the limited amount with maximum 45 days interest free credit facilities like POS transaction.
- **Overdraft Facilities:** Overdraft facilites upto 80% of the credit card limit may also be allowed for payment of the installment of scheme deposit with our Bank.
- **Payment of utility Bill:** Payment of utility bills like telephone bills, gas bills, electric bills, water bills, may be settled by card.
- **Prepaid Card:** Those who have no account with MBL may avail prepaid card facilities. The prepaid cardholders pay first buy later. Prepaid card offers the convenience and security of electronic payment in situations where one might otherwise use cash, such as paying for a gift or a monthly allowance for a young adult. Examples also include gift cards and salary payment, etc.
- **Lost or Stolen Card:** If card is lost or stolen, just make a call to our customer service centre, at Head Office, card division which is open to receive call 24 hours a day, 365 days a year. We shall stop operation of your card instantly at the call. But for replacement of card, customer should give a letter.
- **Repayment:**
 - (i) Credit Card account statement is generated to the cardholder on monthly basis if there is any balance outstanding in the cardholder account.
 - (ii) If the cardholder repays the entire amount within the due date of payment, no interest will be charged and thereby cardholders enjoy



maximum 45 days credit facilities without interest for POS transactions.

(iii) If the cardholder repay the minimum payment amount as shown in the credit card account statement within the payment due date then no late payment penalty will be charged.

- **Calculation of minimum payment:**

(i) When the outstanding balance in the statement is less than or equal to the credit limit, the minimum repayment for the current month is as under: (a) For International Card: 5% of the billing amount or USD 25 whichever is higher. If the billing amount is less than USD 25, it should be paid in full. (b) For Local card: 5% if the billing amount is TK.500 whichever is higher. If the billing amount is less than Tk.500, it should be paid in full. (ii) When the billing amount in the card account statement is more than the credit limit, the minimum payment is 5% of the credit limit plus excess amount of credit limit. (iii) If the cardholder fails to pay the minimum of the current bill then in the next month the billing amount will be current month minimum plus previous month minimum.

- **Interest:**

(i) In case of POS transactions, if entire amount is not paid within payment due date, interest will be charged @ 2.5% on the outstanding balance on daily basis from date of transaction. (ii) In case of cash withdrawal, interest will be charged @ 2.5% per month on daily basis from the date of transaction irrespective of payment due date.

- **Cash advance fee:**

(a) MBL card to MBL ATM: no fee. (b) MBL card to other Q-Cash ATM: Tk.10 per transaction. (c) MBL card to other ATM: 2% of transaction amount or Tk.100 whichever is higher. (d) For international card: USD 3 or 2% of transaction whichever is higher.

- ❖ **Locker:**

Customers could use the locker facility of Dhaka Bank Limited and thus have the option of covering many valuables against any unfortunate incident. It offer security to our locker service as afforded to the Bank's own property at a very competitive price. It would be at customer's service from Saturday through Thursday from 9:00 am to 4:00 pm. Lockers are available at Gulshan, Banani, Dhanmondi, Uttara, CDA Avenue & Cox's Bazar Branch.



❖ **Phone Banking:**

Mercantile bank phone banking services allows account holder to conduct a variety of transactions by simply making a phone call from anywhere. Account holder can enquire about their balance in his/ her account, check transaction details or request for accountholder's account statement by fax or mail.

❖ **Any Branch Banking:**

Convenience is the key feature of Mercantile Bank's personal banking program. Their aim is to provide every customer easy access to his/her account from any branch and ultimately from anywhere.

❖ **Foreign Currency Account:**

Most branches of Mercantile Bank Limited have authorized dealers' license to deal in transactions in foreign currency and open foreign currency accounts. Current or fixed accounts US Dollar or Pound Sterling.

3.5 Major Activities of Mercantile Bank at a glance:

1. **General Banking Services;**
2. **Investment Banking;**
3. **International Trade;**
4. **Money Market and Foreign Exchange Dealing;**
5. **Corporate Finance & syndications;**
6. **Capital Market Services;**
7. **Merchant Banking Services;**
8. **Personal & Retail Banking;**
9. **Risk Management & Portfolio Management;**
10. **Training and Development;**
11. **Social activities, etc.**

3.6 General Banking:

The general banking department does the most important and basic works of the bank. All other departments are linked with this department. It has vast range of activities. It deals with the general activities of bank such as issuing TT, DD, Pay-Order, Cheque clearing etc. MBL provides different types of accounts, locker facilities and special types of saving scheme under general banking. For proper functioning and excellent customer service this department is divided into various sections namely as follows:

- 1) Deposit section
- 2) Account opening section
- 3) Cash section
- 4) Bills and clearing section
- 5) Remittance section
- 6) FDR section
- 7) Accounts section

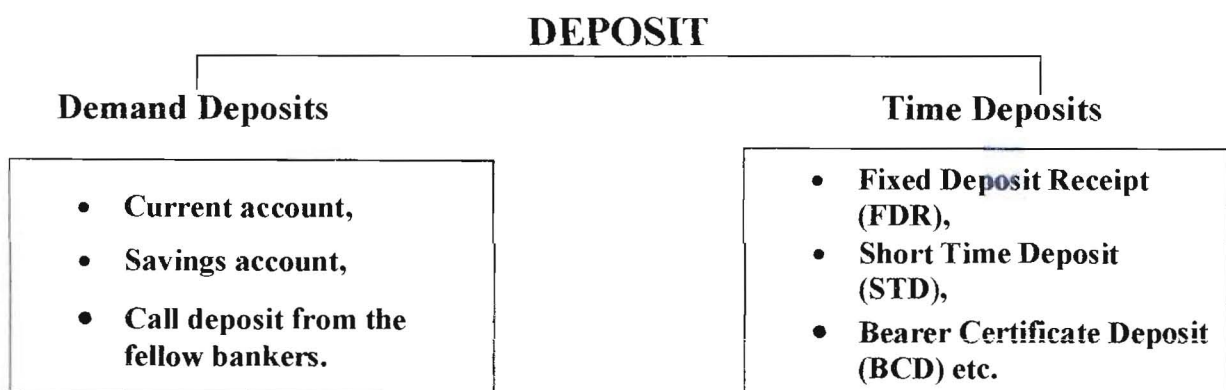
❖ *DEPOSIT:*

A bank is essentially an intermediary of short-term funds. It can carry out extensive lending operations only when it can effectively channel the savings of community. A good bank is one who effectively mobilizes the savings of the community as well as makes such use of savings by making it available to productive and priority sectors of the economy thereby fostering the growth and the development of the economy of the nation.

Therefore deposit is the blood of a Bank. From the history and origin of the banking system, we can know that deposit collection is the main function of a bank.

The deposits that are accepted by MDL like other banks may be classified into:

- 1) Demand Deposits,
- 2) Time Deposits,





❖ *Demand deposits:*

The amount in accounts are payable on demand so it is called demand deposit account. These deposits are withdrawn without notice, e.g. current *deposit*. MBL accepts demand deposit through the opening of it.

Current Account:

Both individual and businessperson can open this type of account concerns. Frequent transactions (deposits well as withdrawal) are allowed in this type of account. A current account holder can draw checks on his account for any amount for any numbers of times in a day the balance in his account permits. This account provides no interest. The minimum balance to be maintained is TK. 5000. No new account can be opened with a check.

In this kind of account a customer can deposit this money and can write one or more check to withdraw their money. For doing this notice is not required. He/she can deposit it whenever he/she wants to and can withdraw it whenever he/she wants to.

Procedure for opening of accounts:

Before opening of a currents or savings account, the following formalities must be completed by the customer:

- Submit application on the prescribed form.
- Furnishing photographs - 2(two) copies.
- Introduction by an account holder.
- Putting specimen signature in the specimen card.
- Mandate if necessary.

After observation of all the formalities mentioned above the applicant is required to deposit the minimum TK. 100 for opening a savings bank account and TK.5000 for opening a current account. This is called initial deposit. As soon as this money is deposited, the bank opens account in the name of the applicant. It should be noted that the permission of the component authority for opening of an account is a must. The banker then supplies the following books to the customer to operate the customer's accounts:

- Pay-in-slip book,
- A chequebook,
- Pass book (In modern banking it has been replaced with the periodical statement of account)

In the name of individual:

The client has to fill up a light green account opening form. Terms and conditions are printed on the back of the form. The form contains the declaration clause, special instructions etc. two copies of passport size photographs duly attested by the introducer are affixed with the form.

In joint name:

In this type the formality is same individual account, but in the special instruction clause, either or “survivor” or “former or survivor” clause is marked.

Proprietorship:

In addition the customer has to submit the valid trade license and tax paying identification numbers (TIN) along with the application.

Partnership:

In case of partnership account the banks ask for,

- A copy of partnership agreement (Partnership deed).
- A letter signed by all partners contained the following Particulars
- The name and address of all partners.
- The nature of firms business.

The name of the partner authorized to operate the account in the name of the firm, including the authority to draw, endorse and accepting the bills and mortgage and sell the properties belonging to the firm.

Limited company:

On having the desire to open an account from a limited company, an ML officer a for the following documents:

- Registration certificate from the Registrar of joint stock of companies
- Certificate of Incorporation
- Certificate of Commencement of business.
- Maximum of Association.
- Articles of Association.
- Copies of Annual Accounts.
- Copies of Board resolution, which contains.



Societies, clubs and Associations:

In case of those sorts of accounts MBL requires the following documents:

- Registration Certificate under the Societies Registration Act, 1962.
- Copies of Memorandum, Articles of Association.
- Resolution of the Managing Committee.
- Power of Attorney to Borrow.

Non - Government Organization (NGO):

The account opening procedure is same but in exception is that the Registration Certificate from the Social Welfare Department of Government must be enclosed with the application.

Joint account in the name of Minor:

A Minor cannot open an account in his/her own name due to the in capacity to enter into a contract. He/she can open an account in MBL in Joint name of another person who will be the guardian of him/her.

Saving Account:

Individuals for savings purpose open this type of account. A minimum balance is required to be maintained in a SB account. Interest on SB account is calculated and accrued monthly and credited to his/her account half yearly.

Interest calculation is made for each month on the basis of the lowest balance at credit of an account in that month. A depositor can withdraw from his/her SB account not more than twice a week up to an amount not exceeding 25% of the balance in the account.

This deposit is basically merit for small-scale savers. There is restriction on withdrawals in a month. Heavy withdrawals are permitted only against prior notice.

Time Deposits:

A deposit which is payable at a fixed date or after a period of notice is a time deposit. Mercantile bank accepts time deposits through Fixed Deposit Receipt (FDR), Short Time Deposit (STD), and Bearer Certificate Deposit (BCD) etc. While accepting these deposits, a contract is executed between the bank and the customer. This contract will be a valid one only when both the parties are competent to enter into contracts. As account initiates the fundamental relationship and since the Banker has to deal with different kinds of persons with different legal status. MBL officials remain very much careful about the competency of the customer.

Short Time Deposit (STD):

The deposit in this account is withdrawal on prior notice arising from 7 to 29 days and 30 days or more. The interest is paid on the balance of the account In short term deposit; the deposit should be kept for at least seven days to get interest. The interest offered for STD is less than that of savings deposit In MBL various big companies, Organization, Government Departments keep money in STD accounts.

CONDITIONS:

1. The interest is paid on the balance of the account.
2. Kept for at least seven days to get interest.
3. Frequent withdrawal is discouraged.
4. Requires prior notice.

Fixed Deposit:

They are also known as time deposit or time liabilities. These are deposits, which are made with the bank for a fixed period, specified in advance. The bank need not maintain cash reserves against these deposits and therefore, the bank offers higher interest on such deposits.

In MBL, fixed deposit account is opened in two forms-Midterm (MTD), which is less than one year and other is term deposit, which is more than one year.

Opening of Fixed Deposit Account:

The depositor has to fill an account form where in the mentions the amount of deposit, the period for which deposit is to be made and name/names in which the fixed deposit receipt is to be issued. In case of a Joint name MBL also takes the instructions regarding payment of money on maturity of the deposit. The banker also takes specimen signatures of the depositors. The banker also takes specimen signature of depositors. A fixed deposit account is then issued to the depositor acknowledging receipt of money mentioned there. It also contains the rate of interest and the date on which the deposit will fall due for payment.



3.7 LOANS AND ADVANCE

The primary function of commercial banks is the extension of credit to borrowers. Bank credit is a catalyst for bringing about economic development. Without adequate finance there can be no growth or maintenance of a stable output Bank lending is important to the economy. It makes possible the financing of agriculture, commercial and industrial activity of a nation. At the same time, a bank will, therefore, distribute its funds among various assets in a manner as to derive sufficient income. But as liquidity and profitability are conflicting considerations, Mercantile Bank Limited, as a bank, while employing the funds pays due regard to both profitability and liquidity.

Types of Loans and Advances:

The different type of loans and advances that MBL offers are as follows:

- **Secured Overdraft (SOD):**

It is a continuous advance facility. But this agreement the banker allows his customer to overdraft his current account up to his credit limits sanctioned by the bank. The interest is charged on the amount, which he withdraws, not on the sanctioned amount. MBL sanctions SOD against different security. Based on different types of security, we can divide the following category of the facility:

- a) **SOD (General):** Advances allowed to the individuals/firms against financial obligations i.e. lien of F.D.R. or Defense Savings Certificate (P.S.P.), ICB Unit Certificate etc.
- b) **SOD (General):** Advances allowed against assignment of work order for execution of contractual works falls under this head. The advance is generally allowed for specific purposes. It is not a continuous loan.

- **Cash Credit:**

Cash Credit is a favorite of borrowing by traders, industrialist's etc. for meeting their working capital requirements. It is operated like overdraft account. Depending on the needs of the business, the borrower can draw on his cash credit account at different time and when he gets money can adjust the liability. MBL charges interest on the daily balance in the account. Depending on charging security there are two forms of cash credit:



- a) **Cash Credit (hypothecation):** It is a short-term arrangement by which a customer is allowed to borrow money to a certain limit sanctioned by the bank for a certain time. Under the condition the borrower is required to submit the stock fortnightly in the bank specimen form. It is allowed to maximum a period of one year.
- b) **Cash Credit (pledge):** It is also a continuous loan allowed against pledge of goods as primary securities fall under this of advance.

Foreign Documentary Bills Purchased (FDBP): Payment made against documents representing sell of goods to local export oriented industries which are deemed as exports and which are denominated in Local currency/ Foreign currency falls under this head The bill of exchange is held as the primary security. The client submits the bill and the bank discounts it. This temporary liability is adjustable from the proceeds of the bills.

Term Loan: MBL considers the loans, which are sanctioned for more than one year as term loan. Under this facility, an enterprise is financed from the starting to its finishing, i.e. from installation to its production. MBL offers this facility only to big industries.

- **Selection of Borrower:**

In lending the most important step is the selection of the borrower. Due to the asymmetric information and moral hazard, banks have to suffer a lot due to the classified loans and advances, which weakens the financial soundness of the bank. If the selection of the borrower is that is, the borrower is of good character, capital and capacity or of reliability, resourceful and responsible, the bank can easily get the return from the lending. Consequently, monitoring is made much easier for the banker. From this point of view, MBL follows the following procedures:

Studying past track record: After getting an application for the loan, an MBL Official studies the past track of the applicant. Generally the study includes as follows:

- a) Account balances and the past transactions.
- b) Credit report from other banks.
- c) Information of the Industry by studying market feasibility.
- d) Financial statements (balance sheet, cash flow statement, and income statement). If the borrower is a sole-proprietor, then the single entry accounting treatment is converted to the double entry system.
- e) Report from Credit Information Bureau of Bangladesh Bank if the amount is more than TK.10lac.



- **Credit Approval Procedure:**

After receiving the application form from the client, MBL official prepares a Credit Line Proposal (CLP) (Annexure-I, 2, 3) and forwards the same to the Head Office to place before Head Office Credit Committee (HOCC) for approval. It includes:

- a) Request for credit limit of customer.
- b) Project profile/profile of business.
- c) Copy of trade license duly attested
- d) Copy of TIN certificate.
- e) Certificate copy of Memorandum & Articles of Association, certificate of incorporation, certificate of commencement of business, Resolution of the Board, Partnership Deed. (Where applicable)
- f) 3 years Balance sheet and profit & loss account.
- g) Personal net worth statement of the owner/directors/partners etc.
- h) Valuation certificate of the collateral security in Bank's form with photograph of the security.
- i) C I B inquiry form duly filled in (for proposal of above 10lac).
- j) Credit report from another banks.
- k) Stock report duly verified (where applicable).
- l) Indent/Proforma invoice/Quotation.
- m) Price verification report.
- n) Statement of accounts.
- o) Declaration of the name of the sister concern and their liability.
- p) In case of L/C detailed performance of L/C during last year.

Steps in lending can be sum up as follows:

- a) Entertainment of application for loan proposal.
- b) Preliminary screening of credit proposal.
- c) Feasibility study & Appraisal of loan proposal or Credit investigation.
- d) Sanction of los or advances.
- e) Documentation.
- f) Disbursement of loans or advances.
- g) Supervision and follow up loans and advances.



- **Securities:**

To make the loan secured, charging sufficient security on the credit facilities is very important. The banker cannot afford to take the risk of non-recovery of the money lent. MBL charges the following two types of securities:

- a) **Primary security:** These are the security taken by the ownership of the items for which bank provides the facility.
- b) **Collateral security:** Collateral securities refer to the securities deposited by the third party to secure the advance for the borrower in narrow sense. In wider sense, it denotes any type of security on which the bank has a personal right of action on the debtor in respect of the advance.

- **Modes of Charging Security:**

There are different modes of charging securities are exercised by the bank:

1. **Hypothecation:** In case of hypothecation, the possession and the ownership of the goods both rest the borrower. The borrower to the banker creates an equitable charge on the security. The borrower does this by executing a document known as Agreement of Hypothecation in favor of the lending bank.
2. **Lien:** Lien is the right of the banker to retain the goods of the borrower until the loan is repaid. The banker's lien is general lien A banker can retain all securities in his possession till all claims against the concern person are satisfied.
3. **Mortgage:** According to section (58) of the Transfer of Property Act, 1982 mortgage is the "transfer of an interest in specific immovable property for the purpose of securing the payment of money advanced or to be advanced by way of loan, existing or future debt or the performance of an engagement which may give rise to a pecuniary liability". In this case the mortgagor does not transfer the ownership of the specific immovable property to the mortgagee, only transfers some of his rights as an owner. The banker exercises the equitable mortgage.

- **Documentation:**

Documentation can be described as the process or technique of obtaining the relevant documents. In spite of the fact that banker lends credit to a borrower after inquiring about the character, capacity and capital of the borrower, he must obtain proper documents executed from the borrower to protect him against willful defaults. Moreover, when money is lent against some security of some assets, the document must be executed in order give the banker a legal and binding charge against those assets.



Documents contain the precise terms of granting loans and they serve as important evidence in the law courts if the circumstances so desire. That's why all approval procedure and proper documentation shall be completed prior to the disbursement of the facilities. Charge documents as required by the different types of advances are mentioned below:

1. Loan:

- a. D P Note signed on revenue stamp (Annexure- 4).
- b. Letter of arrangement. (Annexure-5).
- c. Letter of disbursement.
- d. Letter of partnership (partnership *farm*) or Board of resolution (limited companies).
- e. Letter of pledge.
- f. Letter of hypothecation.
- g. Letter of lien for packing credit.
- h. Letter of lien and ownership/ share transfer form (in case of advance against share).
- i. Letter of lien (in case of advance against F D R).
- j. Letter of lien and transfer authority. (In case of advance against PSF, BSF).
- k. Legal documents for mortgage of property. (As draft by legal adviser).
- l. Copy of sanction letter mentioning details of terms and conditions duly acknowledged by the borrower.
- m. Trust receipt.

2. Overdraft:

- a. D P Note.
- b. Letter of partnership.
- c. Letter of arrangement.
- d. Letter of continuity. (Annexure -6).
- e. Letter of lien. (Annexure-7).
- f. Letter of hen and ownership/share transfer form (in case of advance against share).
- g. Letter of lien and transfer authority.
- h. Legal documents for mortgage of property.

3. Credit Cash

- a) D P Note.
- b) Letter of partnership. (In case of partnership farm) or Board of resolution
- c) Letter of arrangement.
- d) Letter of continuity.
- e) Letter of hypothecation, (In case of cash credit "Hypothecation").
- f) Legal documents for mortgage of property.
- g) Letter of pled a Arrangement of pledge.(In case of cash credit pledge).



4. Bills purchased:

- a. D P Note.
- b. Letter of partnership. (In case of partnership firm) or Board of resolution (in case of limited company).
- c. Letter of arrangement.
- d. Letter of acceptance, where it calls for acceptance by the drawee.
- e. Letter of hypothecation of bill.

Credit Disbursement:

Having completed and accurately prepare the necessary loan documents, the Loan Officer ready to disburse the loan to the borrower's loan account. After disbursement, the loan needs to be monitored to ensure whether the terms and conditions of the loan fulfilled by both bank and client or not.

Credit Monitoring, Follow-up and Supervision:

Credit monitoring implies that the checking of the pattern of use of the disbursed fund to ensure whether it is used for the right purpose or not. It includes a reporting system and communication arrangement between the borrower and the lending institution and within department, appraisal, disbursement, recoveries, follow-up etc.

MBL Officer checks on the following points:

- a. The borrower's behavior of turnover.
- b. The information regarding the profitability, liquidity, cash flow situation and trend in sales in maintaining various ratios.

The review and classification of credit facilities starts at Credit Department of the Branch with the Branch Manager and finally with Head Office credits division.

Loan Classification:

Loan classification is a process by which the risk or loss potential associated with the loan accounts of a bank on a particular date is identified and quantified to measure accurately the level of reserves to be maintained by the bank to provide for the probable loss on account those risky loan.

All types of loans of a bank are fall into the following four scales:

- a. *Unclassified*: Repayment is regular.
- b. *Substandard*: Repayment is stopped or irregular but has reasonable prospect of improvement
- c. *Doubtful debt*: Unlikely to be repaid but special collection efforts may result in partial recovery.
- d. *Bad/Loss*: Very little chance of recovery.



Loan Classification procedure:

The classification procedure is done as per the Central Bank's instructions in B C D circular No.34 of 1989, B C D circular No. 20 of 1994. The loans are classified on the basis of following criteria.

Classification criteria:

- a. Overdue (OV).
- b. Required payment (RP).
- c. Limit Overdrawn (LD).
- d. Legal Action (LA).
- e. Qualitative Judgment (QJ).

Legal Framework for Loan Recovery:

After being classified, if the borrower is unable to adjust the loan then the bank can take the following legal actions by filling suit:

- a. Filling certificate cases under Public Demand Recovery Act- 1913.
- b. Filling money suit cases under Artha Rin Adalat- 1990.
- c. Filling Bankruptcy cases under Bankruptcy Act- 1997.

Filling cases under Negotiable Instrument Act -1881 section 138 to 141 for insufficient fund. (In case of term loan).

3.8 International Trade and Foreign Exchange Operations

Foreign Exchange means and covers all business activities relating to import, export, inward and outward remittance and buying and selling of foreign currency.

❖ Import/ Export:

Import and export means flow of goods/services purchased by a party of one location from a party of other location. Normally Import] Export is done through Letter of Credit (L/C). Letter of Credit is a definite undertaking by the L/C issuing bank on behalf of the purchaser (Applicant) to the seller (Beneficiary) that the bank will arrange payment against delivery of goods/services subject to fulfillment of certain terms and conditions mentioned in the L/C.

❖ Letter of Credit:

Letter of Credit can be defined as a Credit Contract where by the buyer's bank is committed (on behalf of the buyer) to place an agreed amount of money at the seller's disposal under some agreed conditions. Since the agreed condition include among other things, the presentation of some specified documents, the Letter of Credit is called Documentary Letter of Credit.

Documentary credit may be either:

- **Revocable Credit:**

A revocable credit is a credit, which can be amended are cancelled by the issuing bank at any time without prior notice to the seller.

- **Irrevocable Credit:**

An irrevocable credit constitutes a definite undertaking of the issuing bank (since it cannot be amended or cancelled without the agreement of all parties thereto), provided that the stipulated documents are resented and the seller satisfies the terms and conditions. This sort of credit always referred to revocable letter of credit.



Parties related to a letter of credit:

The parties are:

- 1) The issuing bank.
- 2) The confirming bank, if any
- 3) The beneficiary.

Other parties, which facilitate the documentary credit, are:

- 1) The applicant
- 2) The advising bank
- 3) The negotiating bank/applicant bank
- 4) The transferring bank, if any.

The parties of L/C:

Importer: Seller who applies for opening an L/C.

Issuing Bank: It is the bank which opens/issues a L/C on behalf of the importer.

Confirming Bank: It is the bank, which adds its confirmation to the credit and it is done at request of issuing bank. Confirming bank may or may not be the advising bank.

Advising/Notifying Bank: It is the bank through which the *LIC* is advised to the exporters. This bank is actually situated in exporter's country. It may also assume the role of confirming and/or negotiating bank depending upon the condition of the credit.

Negotiating Bank: It is the bank that negotiates the bills and pays the amount of the beneficiary. The advising bank and the negotiating bank may or may not be the same. Sometimes it can also be confirming bank.

Paying/Accepting Bank: It is the bank on which the bill will be drawn (as per condition of the credit). Usually it is the issuing bank

Reimbursing Bank: It is the bank that would reimburse the negotiating bank after getting payment instruction from issuing bank.

Import Procedures:

- * For engaging in international trade, every trader must be first registered with the Chief Controller of Import and Export.
- * By paying specified registration fees and submitting necessary papers to the CCI&E, the trader will get IRC (Import Registration Certificate). After obtaining IRC, the person is eligible to import.



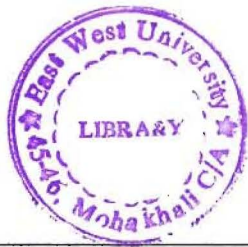
- * Now the importer has to contract with the seller outside the country to obtain the Proforma invoice/indent, which describes goods.
- * Indent is got through indentures a local agent of the sellers.
- * After the importer accept the Proforma invoice, he makes a purchase contract with the exporter declaring the terms and conditions of the import.
- * Import procedure differs with different means of payment. In most cases import payment is made by the documentary letter of credit (L/C) in our country.
- * Then the importer collects a Letter of Credit Authorization (LCA) from MBL principal branch.
- * Bank gives export guarantee that it will pay for the goods on behalf of the buyer. This guarantee is called Letter of Credit. The buyer and the seller conclude a sales contract providing for payment by a documentary credit.
- * Before opening L/C, importer applies for L/C limit. To have an import L/C limit, an importer submits an application to the Department of MBL furnishing the following information, - Full particulars of bank account maintained with MBL principal branch, Nature of business, required amount of limit; Payment terms and conditions, Goods to be imported, Offered Security, Repayment schedule.

A credit Officer scrutinizes this application and accordingly prepares a proposal (CLP) and forwards it to the Head Office Credit Committee (HOCC). The Committee, if satisfied, sanctions the limit and returns back to the branch. Thus the importer is entitled for the limit.

After getting the importer applies to the bank to open a letter of credit on behalf of him with required papers.

MBL provides a printed form for opening of L/C to the importer. This form is known as Credit Application Form. A special adhesive stamp is affixed on the form. While opening, stamp is cancelled. Usually the importer expresses his desire to open the L/C quoting the amount of margin in percentage.

- 1) **Proforma Invoice:** It states description of the goods including quantity of goods, unit price etc.
- 2) **The insurance cover note:** The name of issuing company and insurance number are to be mentioned on it.
- 3) **The Letter of Credit Authorization (LCA) form:** LCA form should be duly attested.
- 4) **The Form- IMP**
- 5) **Tax information Certificate.**



- 6) Forwarding for Pre-Shipment Inspection (PSI): Importer sends forwarding letter to exporter for Pre- Shipment Inspection. But all types of goods do not require PSI.

Scrutinization of L/C Application:

- a) The MBL Official scrutinizes the application in the following manner -
- b) The terms and conditions of the L/C must be complied with UCPDC 500 and Exchange Control & Import Trade Regulation.
- c) Eligibility of the goods to be imported.
- d) The L/C must not be opened in favor of the importer.
- e) Radioactivity report in case of food item.
- f) Survey report or certificate in case of old machinery.
- g) Carrying vessel is not of Israel or of Serbia- Montenegro.
- h) Certificate declaring that the item is in operation not more than 5 years in case of car.

Accounting Treatment in case of L/C opening:

Now if the Officer thinks fit the application to open an L/C. the following entries are given to realize the L/C commission, charges, postage, L/C margin etc.

Client's Account	Dr.
Sundry deposit margin on L/C.....	..Cr.
Income A/C commission	Cr.
Sundry deposit margin foreign currency clearing (F.C.C.) A/C	Cr.
VAT (15% of commission) on L/C	Cr.
Income A/C (postage/telex).....	Cr.

After that L/C number and the above entries are given in the L/C Register. The contra entries stating the liability of the bank and the client are as follow:

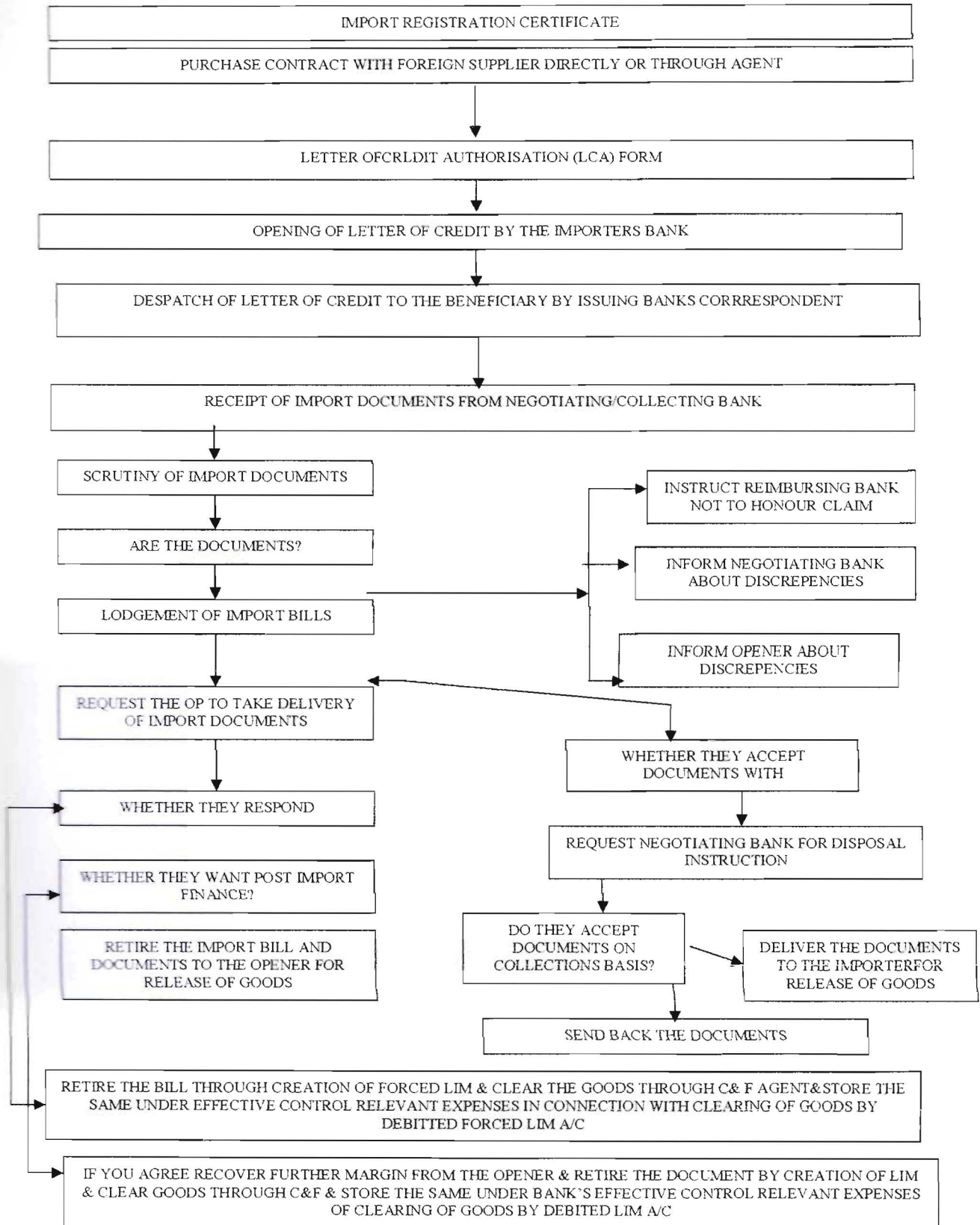
Customer's Liability	Dr.
Banker's Liability	Cr.

Transmission of L/C to Beneficiary through Advising Bank:

Then the transmission of T/C is done through tested telex or fax to advise the L/C to the advising bank. The advising bank verifies the authenticity of the L/C.



The import procedure can be shown by the following flow chart





MBL has corresponding relationship or arrangement throughout the world by which the L/C is advised. Actually the advising bank does not take any liability if otherwise not required

❖ **Presentation of the documents:**

1. The seller being satisfied with the terms and the conditions of the credit makes shipment of the goods as per L/C terms.
2. After making the shipment of the goods in favor of the importer, the exporter submits the documents to the negotiating bank
3. After receiving all the documents, the negotiating bank then checks the documents against the credit. If the documents are found in order, the bank will pay, accept or negotiable to MBL.
4. Branch & bank received seal to be affixed on the forwarding schedule.
5. The bill of exchange & transport documents must immediately be crossed to protect loss or fraudulent.

MBL checks the documents. The usual documents are:

- Invoice.
- Bill of lading
- Certificate of original.
- Packing list/Weight list.
- Shipping advice.
- Non-negotiable copy of bill of lading.
- Bill of exchange.
- Pre-shipment inspection report.
- Shipment certificate.

❖ **Examination of shipping document:**

One of the principals of document credit is that all parties deal with document and not with goods (Articles 6 of UCPDC-500). That is why; the documents should be scrutinized properly. If any discrepancy in the documents is found that is to be informed to the party. A checklist may be followed for examining the documents.



Amendment of the Letter of Credit:

When the parties involved in a *L/C*, especially the seller want to change the terms and conditions due to some obvious and genuine reasons the credit should be amended. MBL transmits the amendment by telex to the advising bank. If the *L/C* is amended, service charge and telex charge is debited from the party account accordingly. According to Article 5 of UCPDC 500. Amendments must be complete and precise.

Retirement of shipping document:

On scrutiny, if it is found that the document drawn in conformity with the terms of the credit i.e. the documents are in order MDL lodges the documents in pad and following vouchers passed,

Accounting treatment:

<i>L/C Margi</i>	<i>Debit</i>
<i>PAD A/C</i>	<i>Credit</i>

(Margin amount transferred to PAD A/C)

<i>Customer A/C</i>	<i>Debit</i>
<i>PAD A/C</i>	<i>Credit</i>

(Customer A/C debited for the remaining account)

<i>PAD A/c</i>	<i>Debit</i>
<i>MBL General A/C</i>	<i>Credit</i>
<i>Exchange gains A/C</i>	<i>Credit</i>

(Amount given to MBL General A/C and interest credit)

Reversal entries

<i>Banker's Liability</i>	<i>Debit</i>
<i>Customer's Liability</i>	<i>Credit</i>

(Lodgments is given)

After realizing the telex charges, services charges, interest (if any), the shipping documents is then stamped with pad numbered and entered in the PAD registered. Intimation is given to the customer calling on the bank's counter requesting retirement of the shipping documents. After passing the necessary vouchers, endorsement is made on the back of the bill of exchange as received Payment" and the bill of lading is endorsed to the effect" Please delivered to the order of M/S, under two authorized signature of the bank's officers (P.A. holder). Then the documents are delivered to the importer.

Payment procedure of the import documents:

- 1) *Date of payment:* Usually is made within 7 day after the documents have been received. If the payment is become differed, the negotiating bank may claim interest for making delay.
- 2) *Preparing sale memo:* A sale memo is made at B.C. rate to the customer. As the T.T. & O.D. rate is paid to the ID, the difference between these two rates is exchange trading. Finally, an inter Branch Exchange Trading Credit Advice is sent to ID)
- 3) *Requisition for currency:* For arranging necessary fund for Payment, a requisition is sent to the International Department.
- 4) *Transmission of telex:* A telex is transmitted to the correspondent bank ensuring that payment is being made.

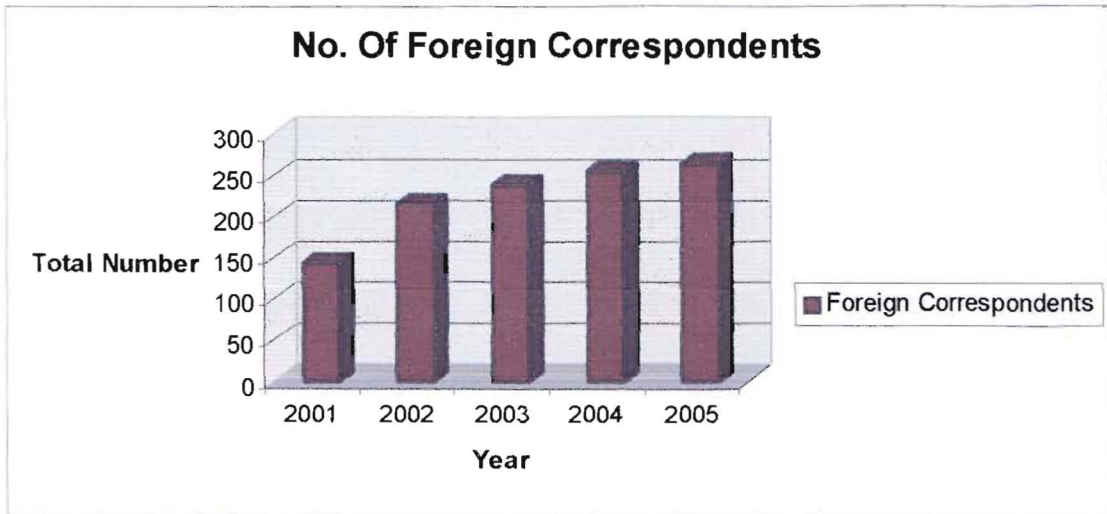
3.9 Number of Foreign Correspondent/Bank:

Foreign correspondent relationship facilities foreign trade operations of the Bank, mainly in respect of export, import and foreign remittances. The number of Foreign Correspondents and Agents of the Bank covers important business and trade centers of the world to ensure better and hassle free services to its import, export and remittances oriented clientele.

Table-3.9: Number of Foreign Correspondent/Bank

Year	No. Of Foreign Correspondent Bank
2001	145
2002	215
2003	240
2004	255
2005	266

Chart- 3.9: Graphical presentation of Foreign Correspondents



As the above graph shows that the number of Foreign Correspondent is increasing day by day. Because of the foreign transaction is increasing. The increasing trend reflects that the Foreign Correspondent will also keep increasing in the coming years. The no. of foreign correspondent in 2005 was 266 while in 2004 it was 255.

An Appraisal of the Performance of Mercantile Bank LTD



4 An Appraisal of the performance of Mercantile Bank LTD

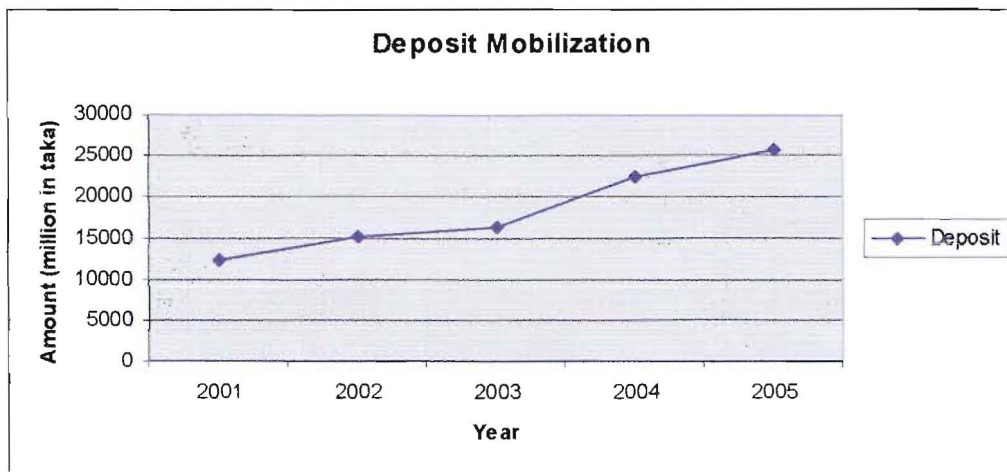
4.1. Deposit Mobilization of Mercantile Bank Limited:

Table 4.1: Deposit Mobilization of MBL from the year 2001 to 2005

Year	Deposits (In million taka)	Growth (%)
2001	12234.70	37.53
2002	15150.42	23.83
2003	16285.19	7.49
2004	22385.19	37.46
2005	25727.47	14.93

Source: Annual Report 2004 & 2005 of Mercantile Bank Limited
 Deposits of MBL for the Year 2000 was tk.8896.20 million

Chart-4.1: Graphical presentation of Deposit Mobilization of MBL



It can be seen from the table and the graph that the deposit mobilization of MBL is increasing every year at a very high rate. In the year 2003 and 2004 the increase is more compared to the other three years. The increasing trend reflects that the deposits will also keep increasing in the coming years. But alternatively we can also observe that the percentage growth in deposits has decreased. Only the year 2004, it has been increased by 37.46%.



4.1.2. Deposit Mix for Mercantile Bank Limited

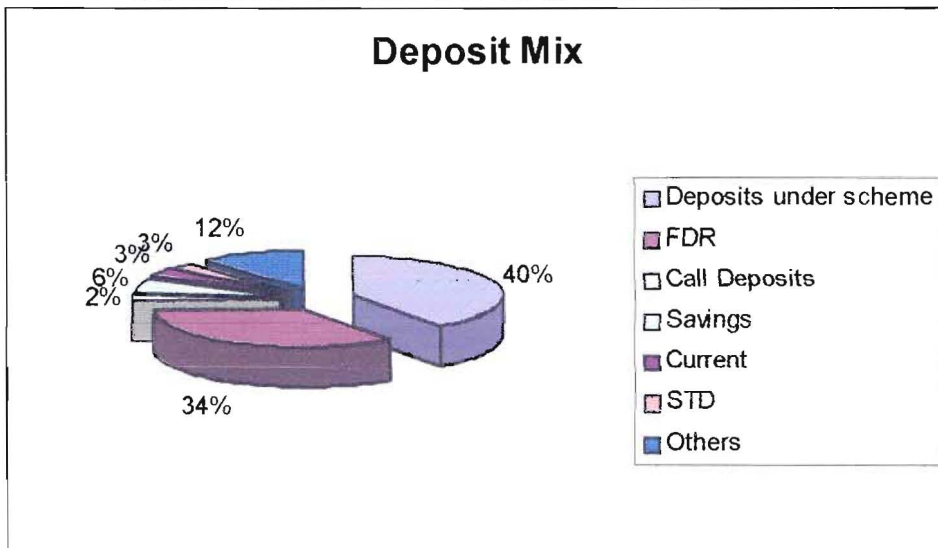
Mercantile Bank Ltd offers different attractive deposit account to its customers with an attractive interest rate and other facilities. Maintaining the profitable deposit mix is one of the main objectives for the top-level managers. The deposit mix for MBL as on December 31, 2005 was as follows:

Table 4.1.2: Deposit Mix for Mercantile Bank Ltd

SL No.	Types of Deposits	Taka (in million)	% Of Total Deposit
1	Deposits under scheme	10278.58	39.95
2	FDR	8787.53	34.16
3	Call Deposits	640.00	2.49
4	Savings	1473.58	5.73
5	Current	840.35	3.27
6	STD	744.76	2.89
7	Others	2962.63	11.52
	Total	25727.43	100.00

Source: Annual Report 2004 & 2005 of Mercantile Bank Limited

Chart-4.1.2: Deposit Mix for Mercantile Bank LTD



From the table above, we can see that in the deposit mix for the year 2005, Mercantile Bank pulled up its main portion of deposits from Deposits under various scheme (40%), followed by FDR (34%), Others (12%), Savings (12%), Current (3%), STD (3%) and Call deposits (2%).

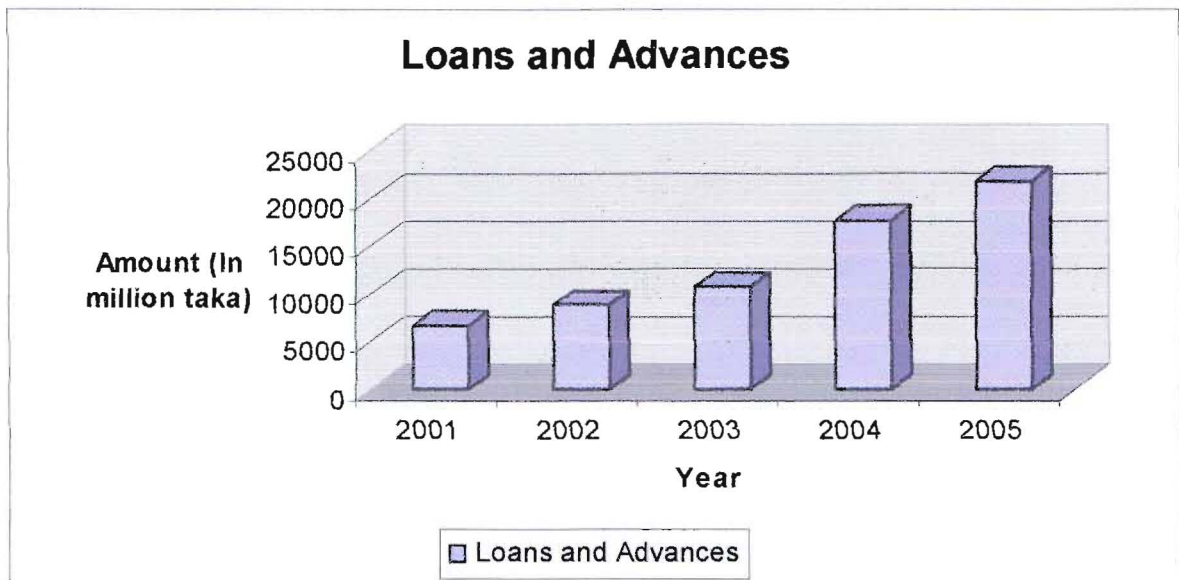
4.2. Loans and Advances

Table 4.2: Loans and Advances of MBL from the year 2001 to 2005

Year	Loans and Advances (In Million Taka)
2000	3912.97
2001	6707.42
2002	8896.19
2003	10775.95
2004	17669.29
2005	21857.05

Source: Annual Report 2004 & 2005 of Mercantile Bank Limited

Chart-4.2: Graphical presentation of Loans and Advances of MBL



It can be seen from the table and the graph that the Loans and Advances of MBL are increasing every year at a very high rate. In the year 2003, 2004 and 2005 the increasing rate is more compared to the other two years. The increasing trend reflects that the Advances will also keep increasing in the coming years.

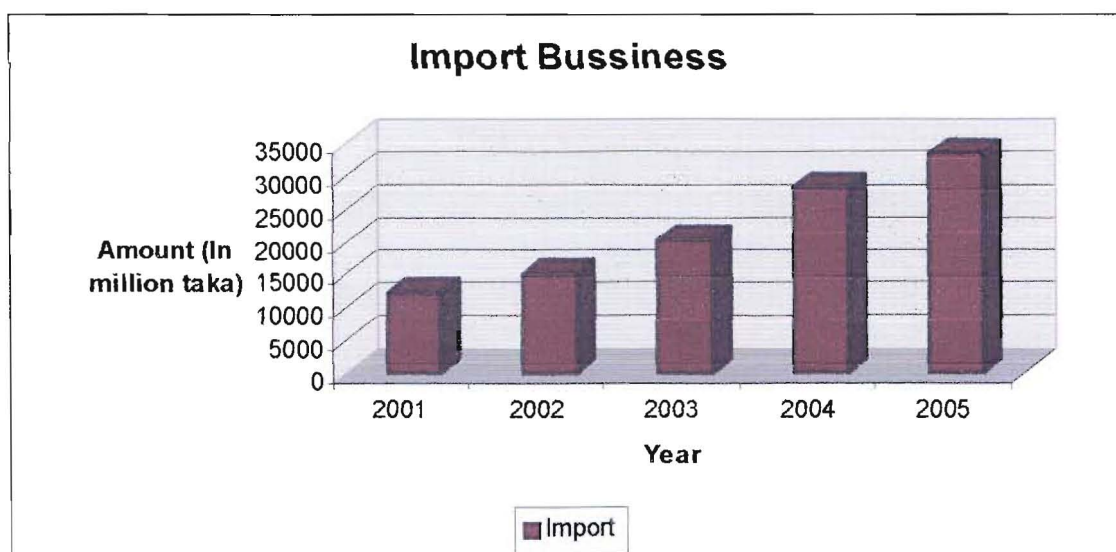
4.3. Import Business of Mercantile Bank LTD from the year 2001 to 2005

Table-4.3: Import business of MBL

Year	Import business (In million taka)	Growth
2001	12268.00	33.07
2002	15112.50	23.19
2003	20380.80	34.86
2004	28325.20	38.98
2005	33271.90	17.46

Source: Annual Report 2004 & 2005 of Mercantile Bank Limited
Imports of MBL for the Year 2000 was tk.9219.50 million

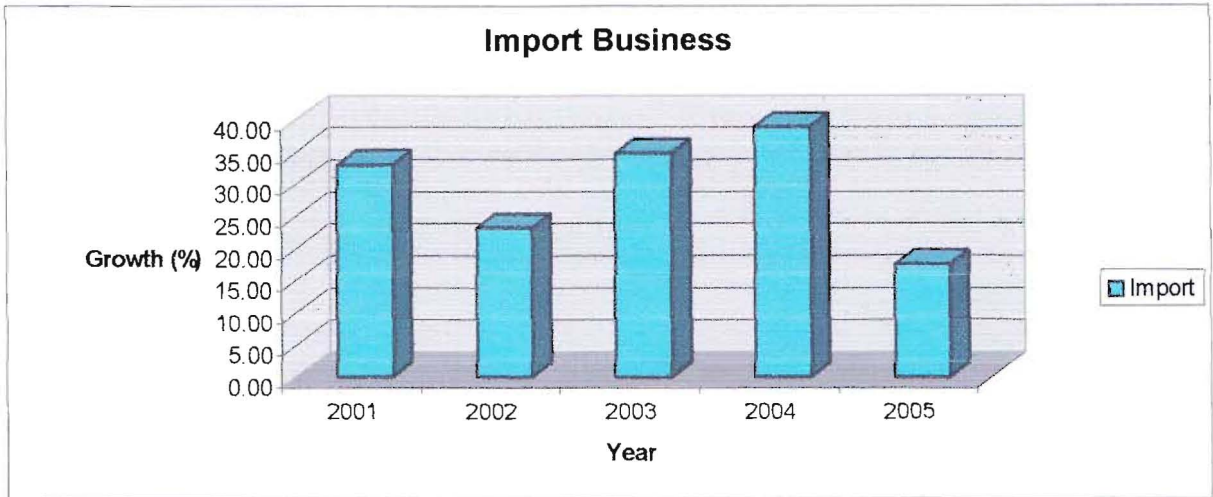
Chart-4.3: Graphical presentation of Import business of MBL



It can be seen from the table and the graph that the import business of MBL is increasing every year at a very high rate. In the year 2003 and 2004 the increase is more compared to the other three years. The increasing trend reflects that the import business will also keep increasing in the coming years. But alternatively we can also observe that the percentage growth in import business has fluctuated. In the year 2001, 2003, 2004 it has been increased. In the year 2005 it is only 17.46%, which is 21.52% lower than the year 2004. Though the growth rate is not increased that much but the volume of import is increasing every year.



Chart-4.3.1: Graphical presentation of Import Business of MBL as growth (%)



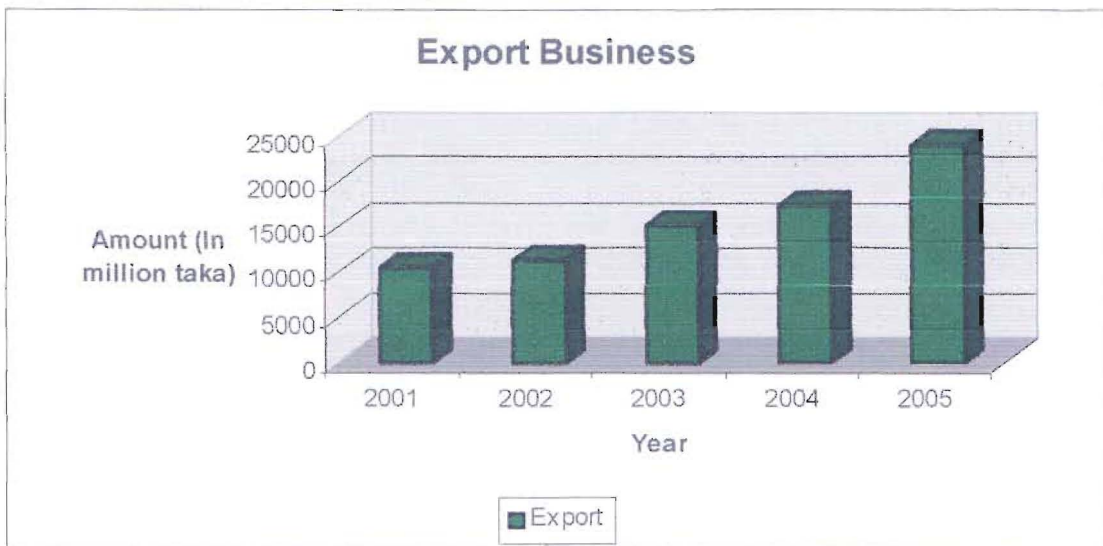
4.4. Export Business of Mercantile Bank LTD from the year 2001 to 2005

Table-4.4: Export business of MBL (In million taka)

Year	Export business	Growth
2001	10457.50	59.55
2002	11377.30	8.80
2003	15250.60	34.04
2004	17411.00	14.17
2005	24108.57	38.47

Source: Annual Report 2004 & 2005 of Mercantile Bank Limited
Exports of MBL for the Year 2000 was tk. 6554.40 million

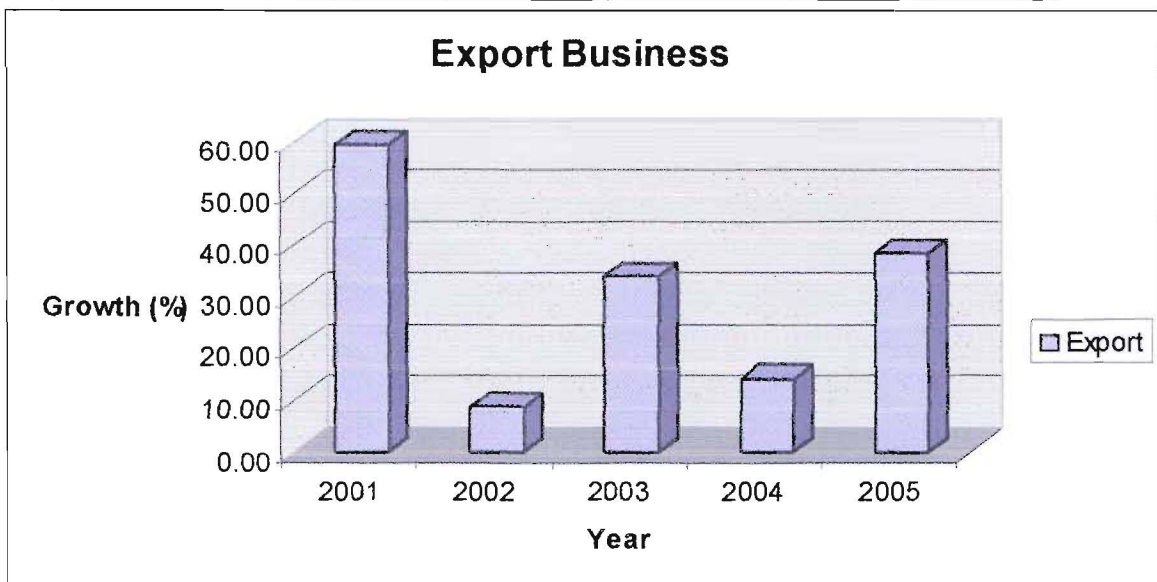
Chart-4.4: Graphical presentation of Export business of MBL





It can be seen from the table and the graph that the export business of MBL has an increasing trend. In the year 2005 the business is seen to be the highest compared to other years. The increasing trend reflects that the export business will also keep increasing in the coming years. But alternatively we can also observe that the percentage growth in export business has fluctuated. One year it has been increased then another year it has been decreased. The highest growth rate was in the year 2001 and the lowest one is in the year 2002. The bank handled an export volume of tk 24108.57 million during the year 2005 as compared to tk 17411.00 million in the previous year (2004), which is the highest volume of export in five years.

Chart-4.4.1: Graphical presentation of Export Business of MBL as growth (%)



4.5. Guarantee:

A bank can make loan guarantee whereby it guarantees the repayment of a loan made from party A to party B. That is, a guarantee is an undertaking by a bank to stand behind the current obligations of a third party, and to carry out that obligation if the third party, and to carry out that obligation if the third party fails to do so.

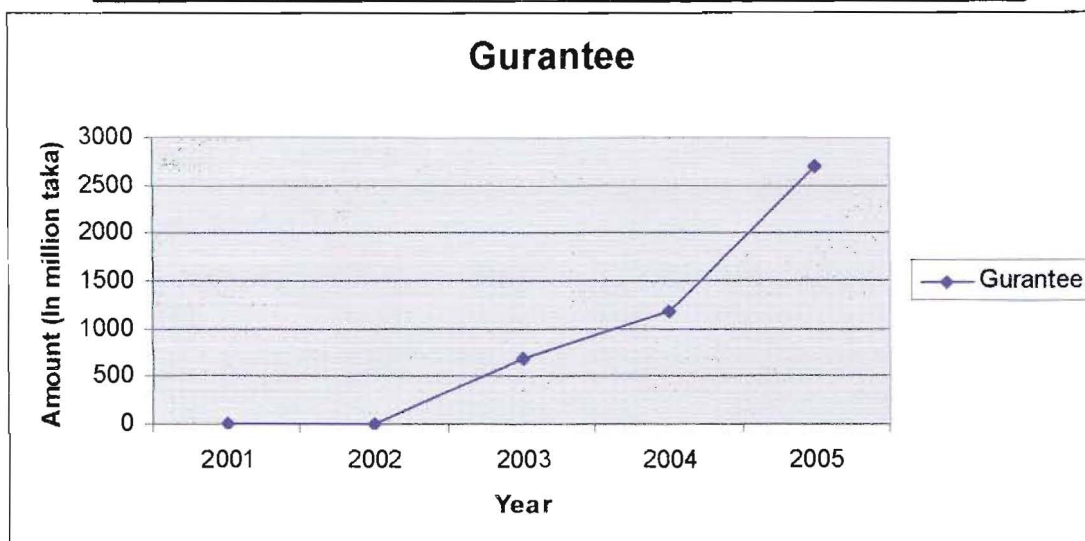
Mercantile Bank also involved in such activities. As table: 3.5 and the following graph shows, MBL has increased such activities every year starting from the year 2003. The highest being in the year 2005 and the lowest in 2003 in five years.

Table-4.5: Guarantee from the year 2001 to 2005

Year	Guarantee (In million taka)
2001	0
2002	0
2003	697.78
2004	1180.31
2005	2702.16

Source: Annual Report 2004 & 2005 of Mercantile Bank Limited

Chart-4.5: Graphical presentation of Guarantees undertaken by of MBL



4.6. Investment of Mercantile Bank LTD

Mercantile Bank has diversified its investment portfolio through Lease Finance, Hire purchase and Capital Market Operations besides the investment in Treasury Bills and Bonds, Prize Bonds. The emphasis on high quality investment has ensured the bank to maximize its profit.

Mercantile Bank LTD is also a member of the Dhaka Stock Exchange and the Chittagong Stock Exchange. A specialized unit of the bank, the investment division manages the Bank's portfolio and actively participates in the screen based on line trading of both the stock exchanges. The Investment portfolio made up of Government Securities and Shares & Debentures of different listed companies stood at tk. 3517.68 million for the year 2005. Here the growth rate is decreasing every year. The highest growth rate was in year 2001, which was 95.97%, and the lowest growth rate was in year 2005, which was 13.16% as the graph and table demonstrate this.

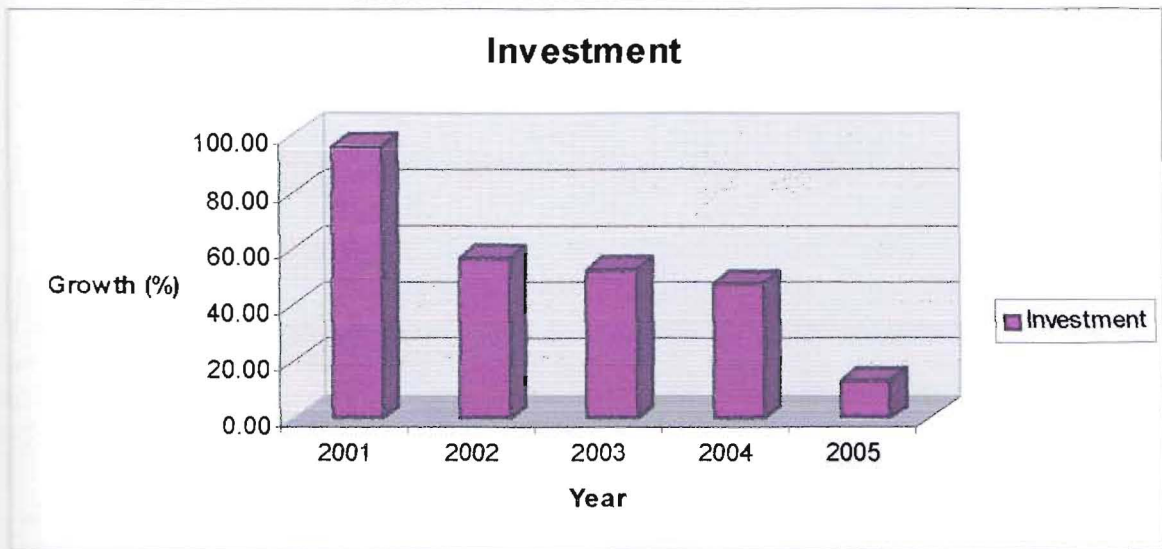


Table-4.6: Investment of Mercantile Bank LTD

Year	Investment (In million taka)	Growth
2001	882.47	95.97
2002	1382.29	56.64
2003	2107.26	52.45
2004	3108.51	47.51
2005	3517.68	13.16

Source: Annual Report 2004 & 2005 of Mercantile Bank Limited
Investment of MBL for the Year 2000 was tk. 450.32 million

Chart-4.6: Graphical presentation of growth in Investment of MBL



4.7. Total Income of Mercantile Bank LTD from the year 2001 to 2005

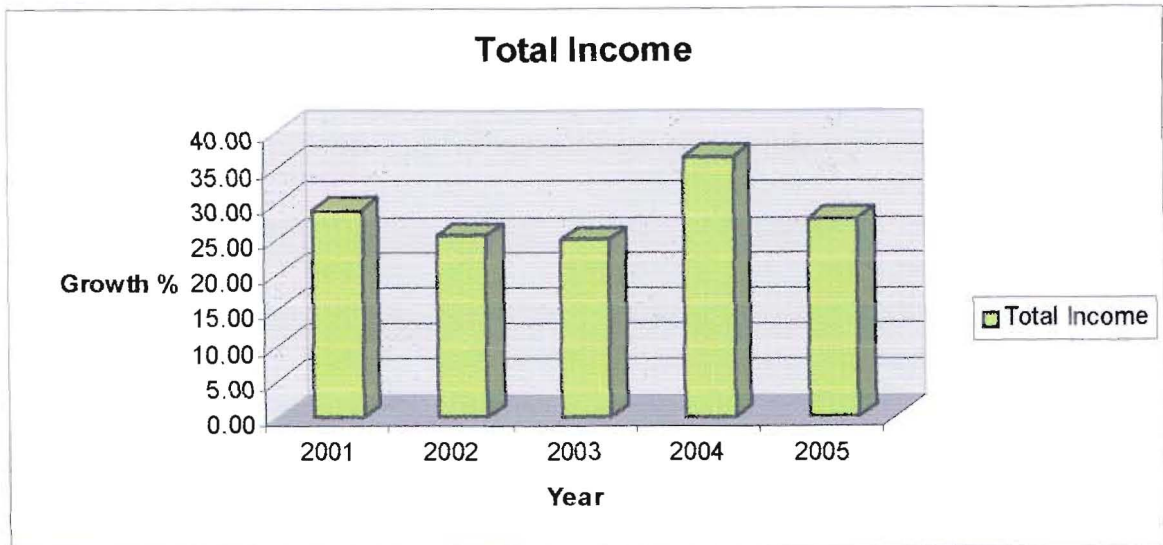
Table- 4.7: Total Income of MBL

Year	Total Income (In million taka)	Growth
2001	1268.90	29.14
2002	1592.30	25.49
2003	1989.72	24.96
2004	2717.67	36.59
2005	3472.51	27.78

Source: Annual Report 2004 & 2005 of Mercantile Bank Limited
Total Income of MBL for the Year 2000 was tk. 983.60 million



Chart-4.7: Graphical presentation of growth of Total Income of MBL



It can be seen from the table and the graph that the Total Income of MBL is increasing. Total income increased from tk. 2717.67 million in 2004 to tk. 3472.51 million in 2005. But the growth rate is not increased that much. The highest growth was in year 2004 (36.59%) and the lowest growth was in year 2003 (24.96%).

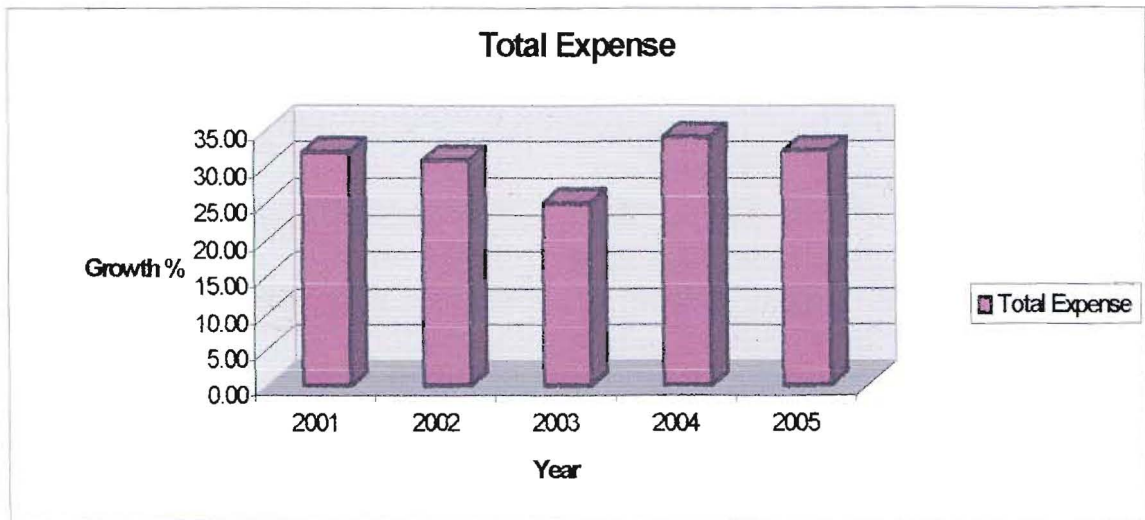
4.8 Total Expense of Mercantile Bank LTD from the year 2001 to 2005

Table- 4.8: Total expense of MBL

Year	Total Expense (In million taka)	Growth
2001	864.74	32.06
2002	1131.06	30.80
2003	1414.40	25.05
2004	1895.91	34.04
2005	2505.28	32.14

Source: Annual Report 2004 & 2005 of Mercantile Bank Limited
 Total Expense of MBL for the Year 2000 was tk. 654.80 million

Chart-4.8: Graphical presentation of growth of Total Expense of MBL



It can be seen from the table and the graph that the Total Expense of MBL is increasing but a very low rate. Total Expenses of the Bank stood at tk. 2505.28 million during 2005 as compared to tk. 1895.91 million in 2004. The highest growth was in year 2004 (34.04%) and the lowest growth was in year 2003 (25.05%).

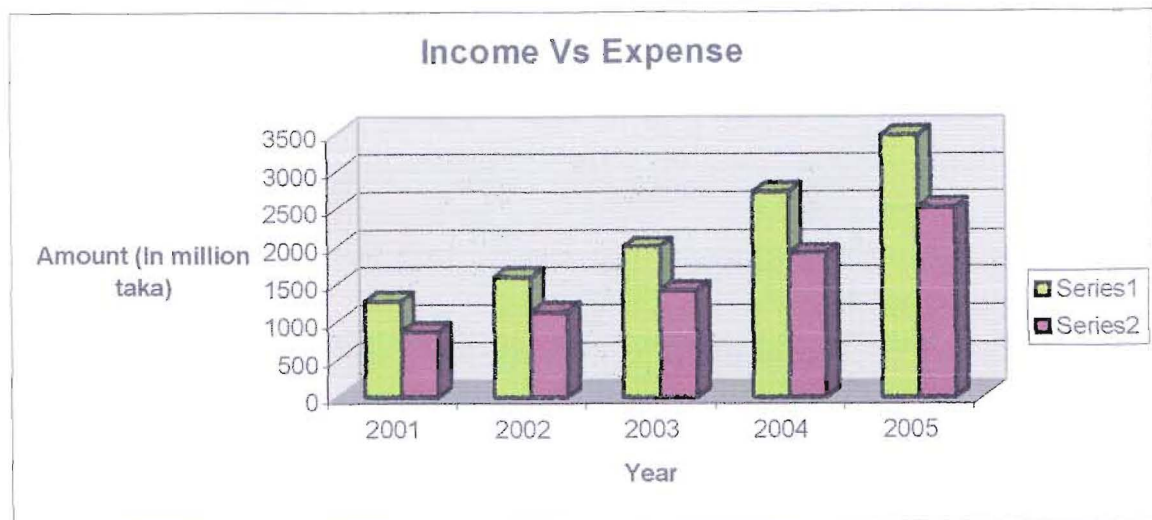
4.9. Total Income Vs Total Expense of Mercantile Bank LTD from the year 2001 to 2005

Table- 4.9: Total Income Vs Total Expense of MBL

Year	Total Income In million taka)	Total Expense (In million taka)
2001	1268.90	864.74
2002	1592.30	1131.06
2003	1989.72	1414.40
2004	2717.67	1895.91
2005	3472.51	2505.28

Source: Annual Report 2004 & 2005 of Mercantile Bank Limited

Chart-4.9: Graphical presentation of Income and Expense of MBL



From the graph and the table we see that, Total Income of MBL is higher than the Total Expenses. Every year Bank's Expenses are beyond then the Income, which is a positive sign of the Bank. The highest income and expenses was in year 2005 (3472.51 million) and (2505.28 million). And the lowest one is in the year 2001 which was (1268.90 million) and (864.74 million).

4.10. Net Profit After Tax of Mercantile Bank LTD

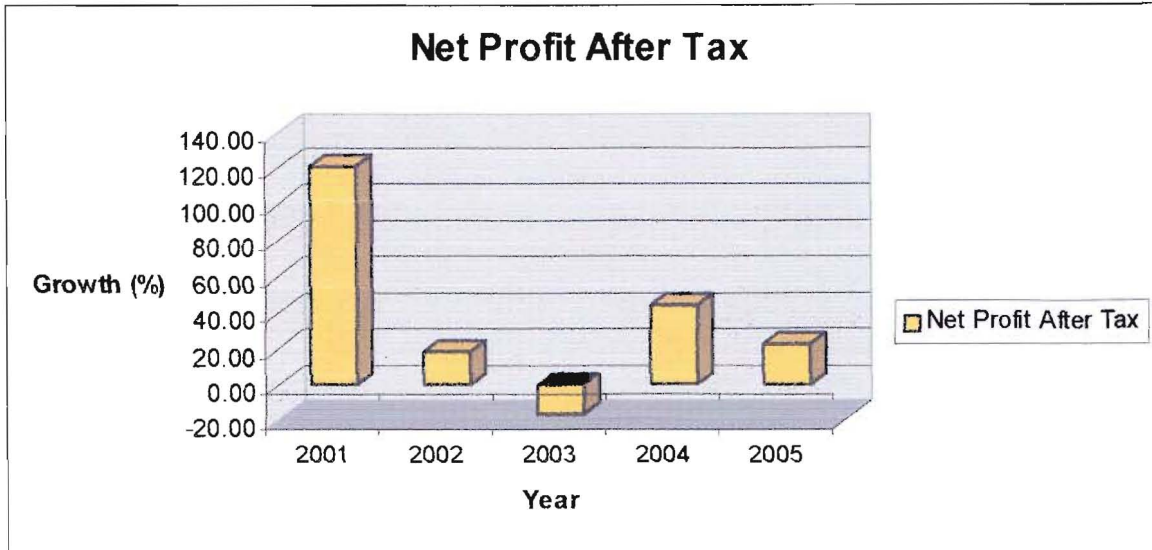
Table- 4.10: Net Profit After Tax of MBL from the year 2000 to 2005

Year	Net Profit After Tax (In Million Taka)	Growth
2001	214.96	121.47
2002	256.54	19.34
2003	215.91	-15.84
2004	312.58	44.77
2005	386.83	23.75

Source: Annual Report 2004 & 2005 of Mercantile Bank Limited
Net Profit After Tax of MBL for the Year 2000 was tk. 97.06 million



Chart-4.10: Graphical presentation of growth of Net Profit After Tax of MBL



From the table and the graph, it can see that the net profit after tax was increased every year besides 2003. In year 2003, it has been decreased. As a result the growth was -15.84%. From the graph, the highest growth was in year 2001 (121.47%) and the lowest was in 2002 (19.34%).

4.11. Fixed Assets of Mercantile Bank LTD from the year 2001 to 2005

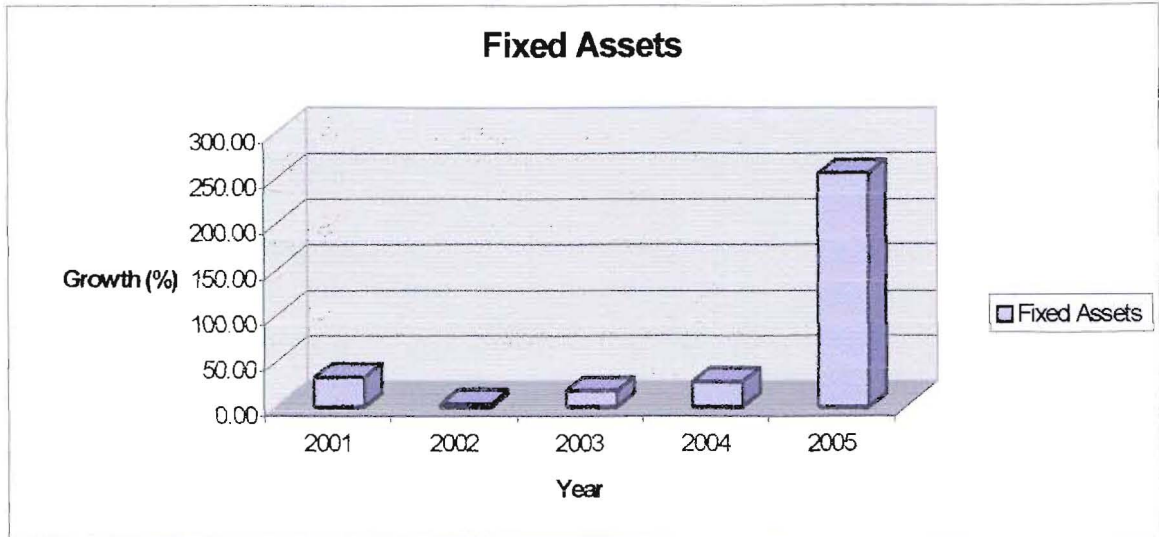
Table-4.11: Fixed Assets of MBL

Year	Fixed Assets (In Million Taka)	Growth
2001	67.76	31.85
2002	69.55	2.64
2003	81.50	17.18
2004	103.54	27.04
2005	366.80	254.26

Source: Annual Report 2004 & 2005 of Mercantile Bank Limited
 Fixed Assets of MBL for the Year 2000 was tk. 51.39 million



Chart-4.11: Graphical presentation of growth of Fixed Assets of MBL



It can be seen from the table and the graph that Fixed Assets of MBL is increasing every year a very high rate. The growth of fixed assets is increasing and the highest growth was in 2005 (254.26%) and the lowest was in 2002 (2.64%).

4.12. Earning per share of Mercantile Bank LTD from the year 2001 to 2005

Table-4.12: Earning per share of MBL

Year	EPS
2001	70.59
2002	84.24
2003	57.88
2004	31.28
2005	38.71

Source: Annual Report 2004 & 2005 of Mercantile Bank Limited

Chart-4.12: Graphical presentation of EPS of MBL



It can be seen from the table and the graph that EPS of MBL has fluctuated in every year. In the year 2001 and 2002 it has been increased and then the following year it has been decreased. The Earning Per Share (EPS) stood at around tk. 38.71 in 2005 as against tk. 31.71 in 2004 because of increase in paid-up capital.

4.13. Dividend of Mercantile Bank LTD from the year 2001 to 2005

Table-4.13: Dividend of MBL

Year	Dividend cash (%)	Dividend Bonus
2001	30.00	1:10
2002	35.00	1:20
2003	-	1:40
2004	-	1:40
2005	5.00	1:50

Source: Annual Report 2004 & 2005 of Mercantile Bank Limited
4.10: Return on Equity of Mercantile Bank LTD from the year 2001 to 2005

4.14. Return on Equity of Mercantile Bank LTD

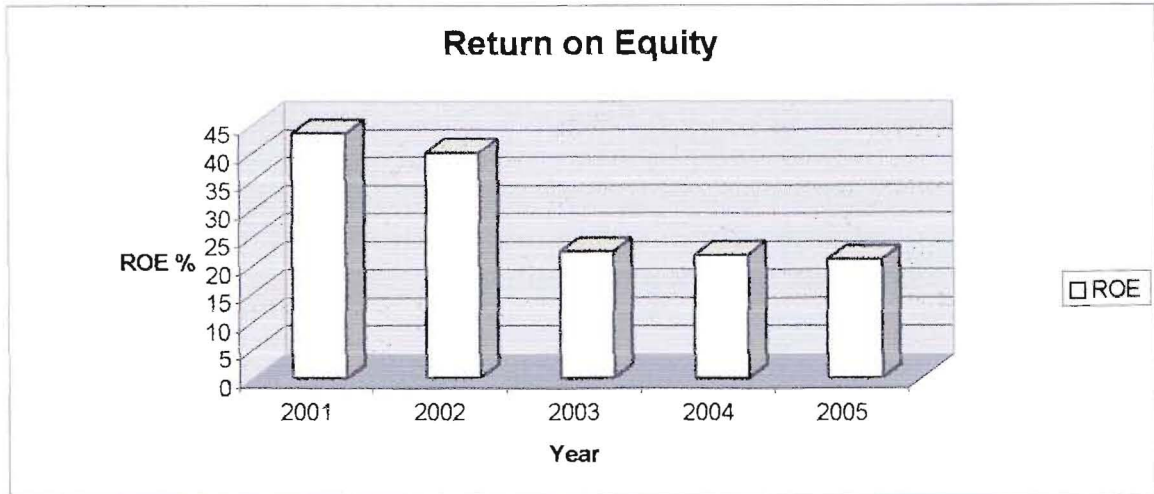
Table-4.14: Return on Equity

Year	ROE
2001	43.58
2002	40.05
2003	22.49
2004	21.91
2005	21.12

Source: Annual Report 2004 & 2005 of Mercantile Bank Limited



Chart-4.14: Graphical presentation of ROE of MBL



It has been observed from the table and the graph that ROE has been decreased every year. Return on Equity (ROE) stood at 21.12% in 2005 as against 21.91% in 2004.

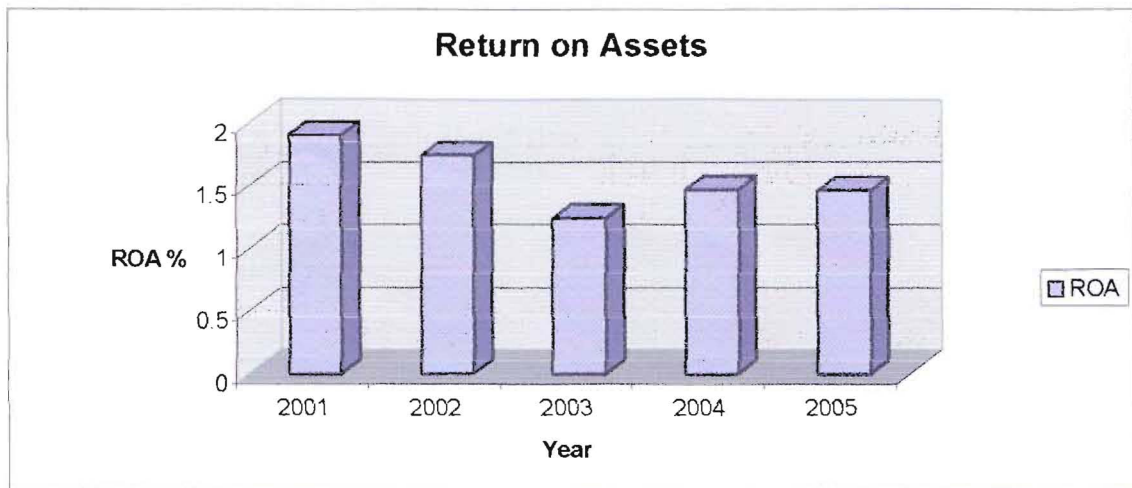
4.15 Return on Assets of Mercantile Bank LTD from the year 2001 to 2005

Table-4.15: Return on Assets of MBL

Year	ROA	Growth
2001	1.91	25.66
2002	1.74	-8.90
2003	1.24	-28.74
2004	1.47	18.55
2005	1.46	-0.68

Source: Annual Report 2004 & 2005 of Mercantile Bank Limited

Chart-4.15: Graphical presentation of ROA of MBL





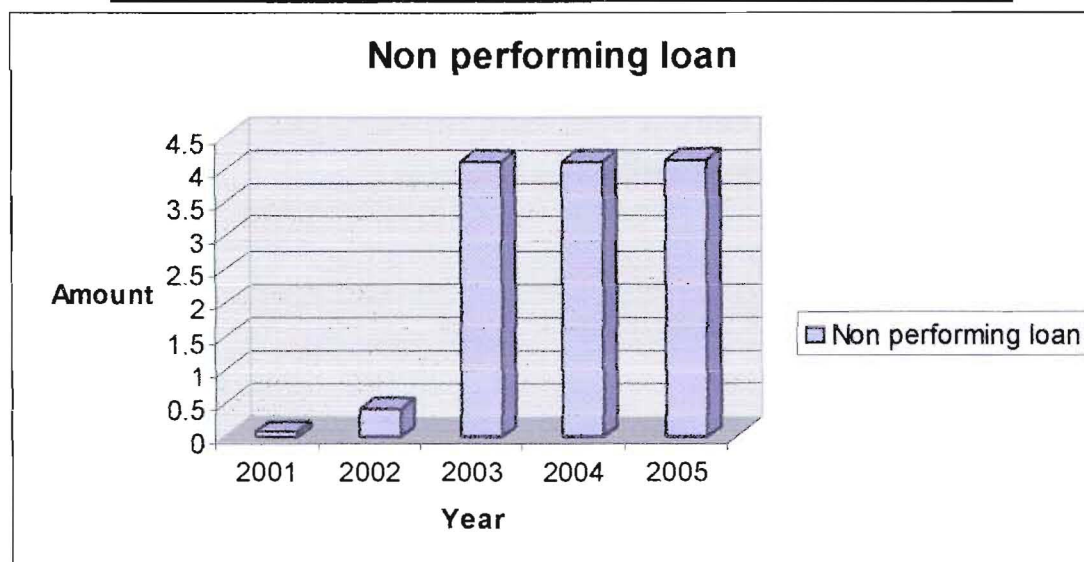
It has been observed from the table and the graph that ROA has been decreased every year. Return on Assets (ROA) stood at 1.46% in 2005 as against 1.47% in 2004.

4.16. Non performing loan as % of Total Advances of Mercantile Bank Ltd from the year 2001 to 2005

Table-4.16: Non- performing loans as percentage of total advances

Year	Non- performing loan as (%)of total advances
2001	0.08
2002	0.42
2003	4.12
2004	4.11
2005	4.14

Chart- 4.16: Graphical presentation of Non Performing Loan of MBL



4.17: Volume of Non-performing loans of Mercantile Bank LTD from the year 2001 to 2005

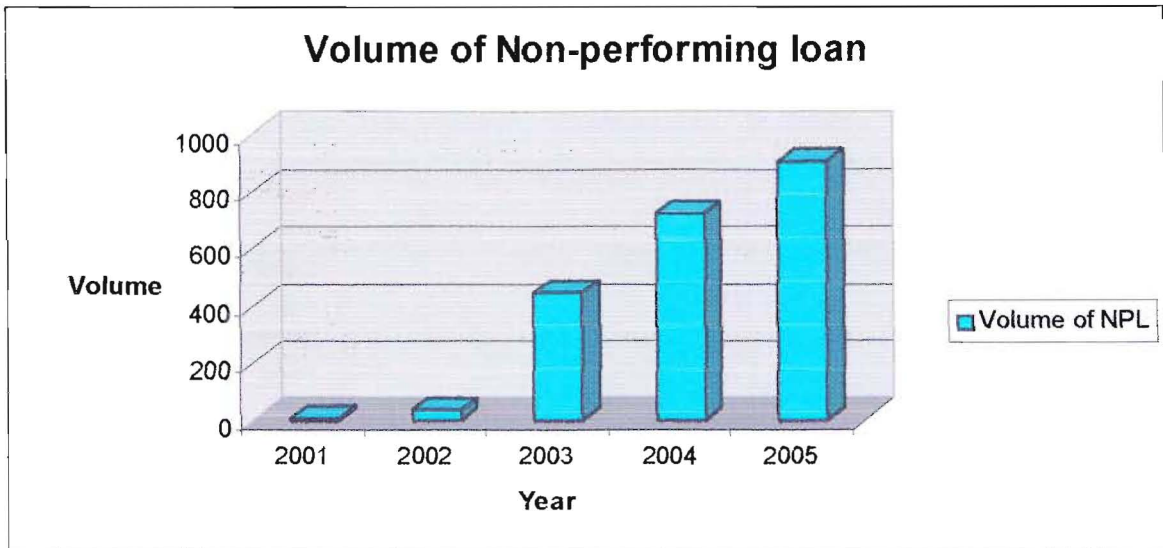
Table-4.17: Volume of non-performing loans

Year	Volume of non- performing loans
2001	5.16
2002	37.49
2003	444.02
2004	726.17
2005	905.74

Source: Annual Report 2004 & 2005 of Mercantile Bank Limited



Chart-4.17: Graphical presentation of Volume of Non-Performing Loan



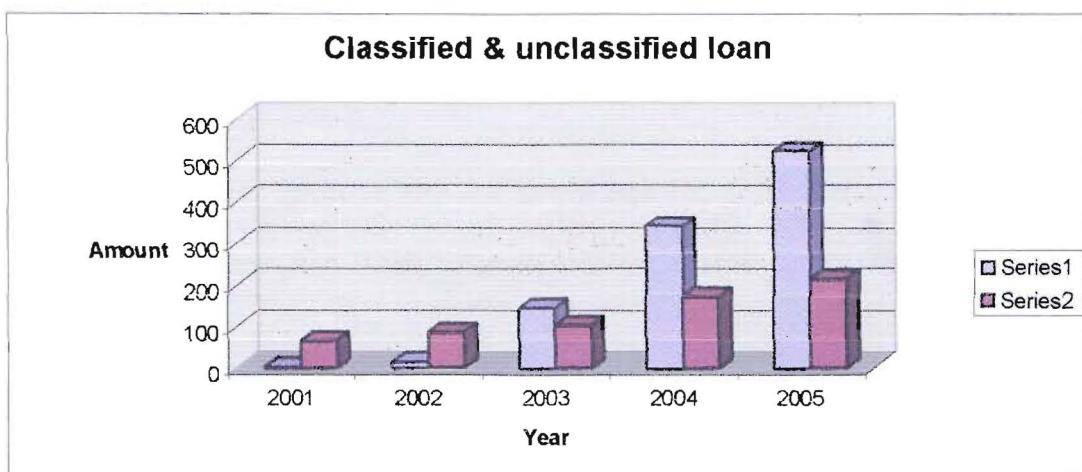
4.18. Amount of provision against classified & unclassified loans of Mercantile Bank LTD from the year 2001 to 2005

Table- 4.18: Amount of provision against classified and unclassified loans

Year	Classified Loans	Unclassified loans
2001	1.30	66.94
2002	12.30	88.14
2003	145.30	103.14
2004	342.80	173.14
2005	523.00	214.34

Source: Annual Report 2004 & 2005 of Mercantile Bank Limited

Chart-4.18: Graphical presentation of classified and unclassified loans





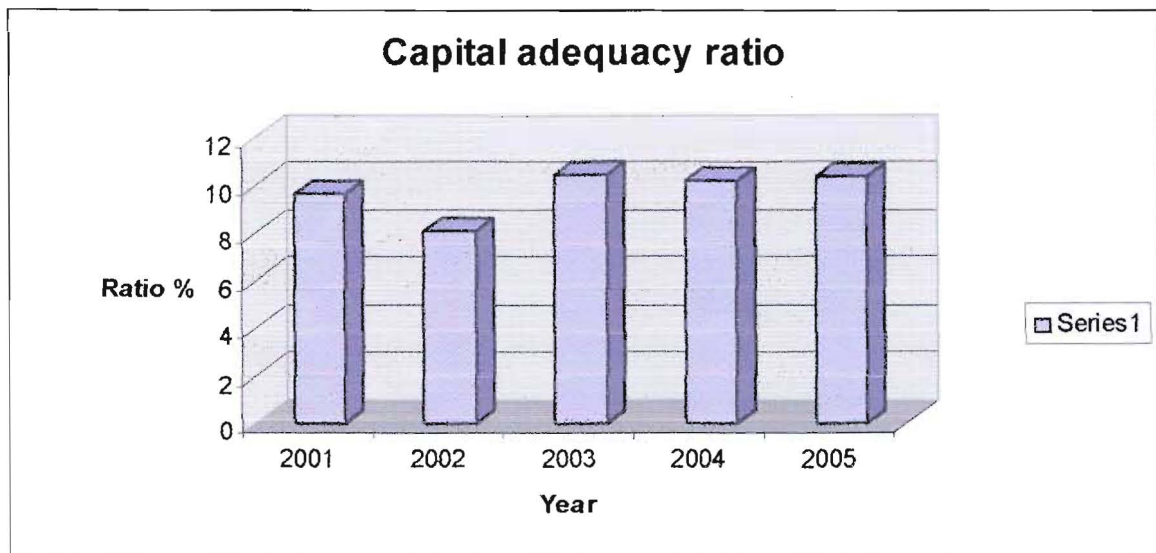
4.19. Capital adequacy ratio of Mercantile Bank LTD from the year 2001 to 2005

Table-4.19: Capital adequacy ratio of MBL

Year	Capital adequacy ratio
2001	9.66
2002	8.11
2003	10.48
2004	10.24
2005	10.39

Source: Annual Report 2004 & 2005 of Mercantile Bank Limited

Chart-4.19: Graphical presentation of Capital adequacy ratio



It can be seen from the table and the graph that Capital Adequacy Ratio (CAR) of MBL has very much steady in the last three years (2003-2005). As per the guidelines of Bangladesh Bank, the Bank adopted BIS (Bank for International Settlements) risk adjusted capital standards to measure capital adequacy. The capital adequacy ratio (CAR) stood at around 10.39% in 2005 as against 10.24% in 2004, reflecting a strong capital base of the Bank.

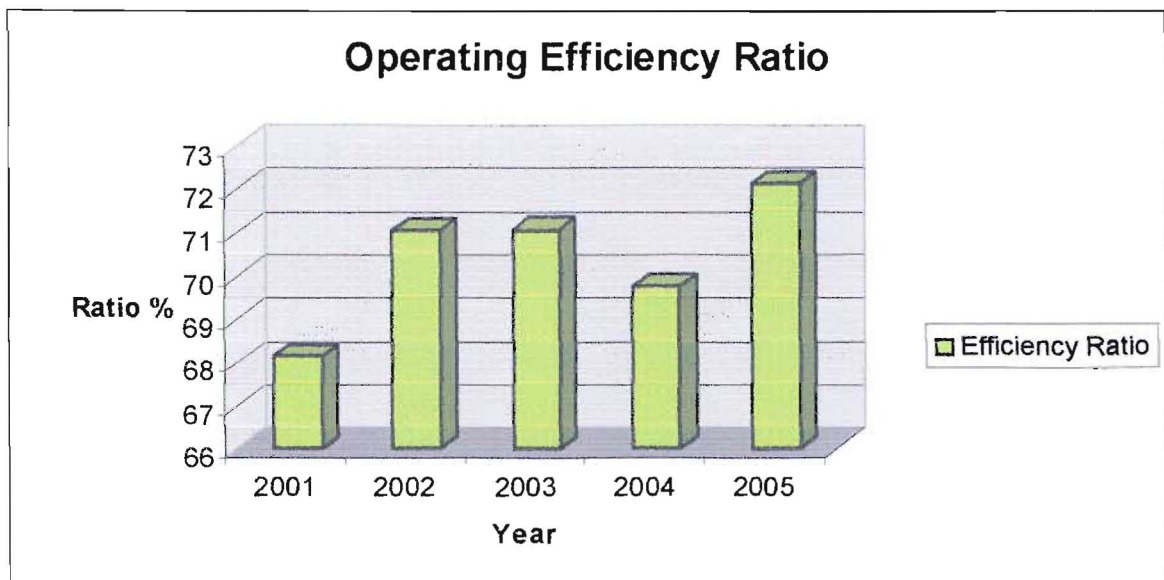
4.20. Operating Efficiency Ratio of Mercantile Bank LTD from the year 2001 to 2005

Table-4.20: Operating Efficiency Ratio Of MBL

Year	Operating Efficiency Ratio
2001	68.15
2002	71.06
2003	71.09
2004	69.76
2005	72.15

Source: Annual Report 2004 & 2005 of Mercantile Bank Limited

Chart-4.20: Graphical presentation of Operating Efficiency Ratio



Operating Efficiency Ratio measures how much operating expenses are incurred to generate operating revenues. It can be seen from the table and the graph that Operating Efficiency Ratio of MBL has fluctuated in every year. Operating efficiency ratio stood at 72.15% in 2005 as against 69.76% in 2004.



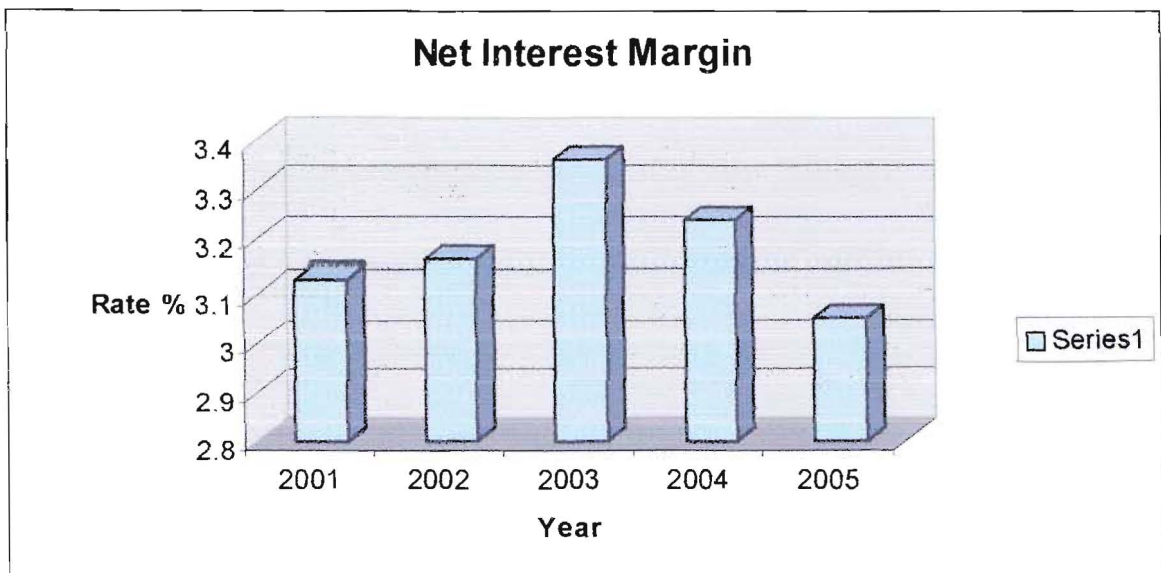
4.21. Net Interest Margin of Mercantile Bank LTD from the year 2001 to 2005

Table-4.21: Net Interest Margin of MBL

Year	Net Interest Margin
2001	3.13
2002	3.16
2003	3.36
2004	3.24
2005	3.05

Source: Annual Report 2004 & 2005 of Mercantile Bank Limited

Chart-4.21: Graphical presentation of Net Interest Margin



Bank's net interest margin derived by net interest income divided by average earning assets. It can be seen from the table and the graph that the net interest margin of MBL is decreasing every year. Only In 2003, it has been increased by 3.36%. In the year 2005 it was 3.05% as compared to 3.24% in 2004. Net Interest Margin decreased as the lower spread is being resulted from the higher deposit rate and lower yield on risk assets. This indicates a reasonable spread between interest income and interest expenses.

Problems Of Mercantile Bank LTD





5 Problems of Mercantile Bank Limited

5.1 General problems of the Bank:

Now a day, Mercantile Bank Limited performs better in the banking sector but it has not achieved the best in the banking sector. However from the study of this bank, in spite of their well reputation, there are some problems in their services and policy implication. I have observed some lacking in some area of its operation during my three months internship program in Mercantile Bank Limited which I have furnished below:

- **Growth in assets depends on how fast deposits grow. But in the deposit side Mercantile Bank is facing some problems from their competitors because the competitors are giving higher interest rate in deposit. That's why lots of depositors are leaving Mercantile Bank Ltd;**
- **Number of branches of Mercantile Bank Ltd is not enough to serve the potential customer than its rival banks. The bank is concentrating less in the rural sector than the urban sector for that it cannot reach to the entire rural people like any other nationalized public bank such as Sonali Bank, Rupali Bank, etc;**
- **Mercantile Bank's EPS is decreasing day by day which imposes negative impact on the potential investors of the bank as well as the negative image for the bank;**
- **Higher service charges comparing to other banks sometimes discourage opening or maintaining accounts of Mercantile Bank LTD. This is the biggest problems of Mercantile Bank Ltd which make the customer less attractive towards the banks;**
- **The bank is sometimes left behind because of the absence of innovation of new segment in deposit collection and loans;**
- **Lack of proper coordination between different departments in the bank;**
- **Lack of customer motivation power in the personnel of customer service department (general banking department) which often dissatisfy the valued customers;**
- **There are few officers in the customer service department often fails to take care of proper customer need and requirements.**



- Sometimes problem arises due to the system failure and a long queue is found during, the system failure. These gives rise to a longer time in providing services, signature verify and balance check become impossible which create a huge problem in doing the work in proper way.
- All the departments of the bank are not fully equipped with computers. Sometimes employee has to wait for availability of computers and also lack of computer knowledge.
- Mercantile Bank Ltd have not yet setup proper network system to its all the branches. For that reason it cannot perform online transaction to all the branches;
- Branches do not have proper solutions against power cut;
- Mercantile Bank does not offer consumer loans to its officers except AVP rank, so the officers under AVP rank is de-motivated;
- There is limited number of ATM booths for the bank, which often creates problem for the ATM card user at time of urgent money need;
- Mercantile Bank's HR department controls its branches centrally from the Head Office so that it is impossible for them to get the proper attachment to its employees. They evaluate their performance without conducting with them properly, which often makes biasness.
- There is no way for recreation for the employees. Repetitive works create bore dome and it also lowers the productivity and efficiency.



Recommendation



6. Recommendation

6.1. Suggestion for the Development of Mercantile Bank Ltd:

- **Though Mercantile Bank showed the reason of lowering the EPS issuing right shares for the certain year. But it is not the satisfactory reasoning; the bank should increase its net income doing efficient utilization of investment of the shareholders. Negative image often turns out the potential investors, which lowers the market price of the share. Management should give keen eye on this matter.**
- **Service charge should be reduced compared to other rival banks and should provide extra facilities with its services.**
- **The existing ATM booths are not enough to meet the consumers demand. So the bank should increase the number of booths and those must be placed in convenient locations. Moreover the bank should check the existing ATM booths whether they are functioning properly or not;**
- **Good training and proper education have to be given to the personnel dealing with the customers. So that they can motivate the customers and be more inclined with the customer's need and requirements, which leads to the overall customer satisfaction;**
- **Proper measure should be taken to reduce system failure to run the bank flawless;**
- **Mercantile Bank has to observe its competitors wisely and make its product more attractive than its competitors. At any cost it has to be one step ahead from its competitors.**
- **The bank's HR department should be more active, should communicate with the employees directly to know their problems, quarries. At the time of performance evaluation they should be bias less, other wise it will hamper the motivation of the employees.**
- **Mercantile Bank should practice a participant managerial process because in this all the workers get the chance for participating in problem recognition and problem solving, which will make the employees feel better. This will work as a motivation weapon. Also award-giving system should be activated depending on the performance appraisal of the employees.**



- **The employees of the bank must well aware of using the equipments, especially computers. Today almost everything can be done through a computer. So the management should make the computer knowledge must for the sta ffs.**
- **The goal of an organization is to ‘maximizing shareholders wealth’, but this is not the only thing that a company should look for. MBL should increase its participation in various social awareness program, sponsoring cultural and sports events etc. these things will certainly increase its acceptability among the society.**

6.2. Some Threats for Mercantile Bank Ltd:

- **The emergence of several private and foreign banks with in the last few years offering similar services with less or free charge for the facilities can be a major threat for the bank.**
- **The central Bank exercises strict control over all banking activities in local banks, which sometimes impose barriers in the normal operation and policies of the bank.**
- **Rival bank easily copy the product offering by Mercantile Bank.**
- **Sometimes political loans are threat for the banking services. If the management of Mercantile Bank Limited takes care of these things then the bank can perform best in the private banking sector in Bangladesh and satisfying its customer properly.**



Conclusion



Conclusion

The financial system of Bangladesh consists of Bangladesh Bank (BB) as the central bank, 4 nationalized commercial banks (NCB), 5 government owned specialized banks, 39 domestic private banks, 10 foreign banks and 28 non-bank financial institutions. The financial system also embraces insurance companies, stock exchanges and co-operative banks. The commercial banking system dominates Bangladesh's financial sector with limited role of Non-Bank financial Institutions and the capital market. The Banking sector alone accounts for a substantial share of assets of the financial system. The banking system is dominated by the 4 Nationalized Commercial Banks, which together controlled more than 54% of deposits and operated 3396 branches (55% of the total) as of June 30, 2003. So it's difficult for a bank to survive unless it provides good quality and prompt services to its clients. The general banking division should provide utmost services to retain the clients and should also try to attract more of them. The bank should have a good amount of deposit, for this it already have good number of savings schemes, but reducing interest rate will certainly cut down depositor, so It should offer either the same or higher than Its competitors.

Borrower should be watched constantly and if borrower becomes defaulter the bank should issue legal notice to the defaulter. The bank should concentrate to recover the full loans from the borrower. Experience and efficient employees should handle foreign exchange department. Foreign Trade section handles millions and millions taka every day, so it should be done with caution and with utmost importance. On the whole the customer wants good, efficient and prompt service from a bank, so the bank should concentrate on better customer service every time.

MBL is steering a modern commercial bank, focused on the areas of core business of Consumer Banking, Corporate Banking and International Banking. The Bank's greatest assets are the trust of its customers. To keep this trust the bank maintains professional and ethical standards amidst all odds of competitive environment. Mercantile Bank is committed to seize the opportunities that lie ahead of it and its capable to build up an even more robust and profitable organization maintaining its commitments and standards.



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