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Future of the saving schemes of EXIM Bank and analyzes the current market response of saving schemes



Export Import Bank of Bangladesh Limited



20TH December, 2006

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Subject: Submission of Project Work Report.

Dear Sir,

The report on “*Future of the saving schemes of EXIM Bank and analyzes the current market response of saving schemes*”, that you have advice me to prepare as a partial fulfillment of BBA, BUS 498 course, is presented herewith.

I tried to visualize all the areas related to this report. Though it is individual report, that’s why it was very difficult to finish within this time. But I have considered your remarks and instructions very carefully while preparing this report. I have really learned a lot and have gained valuable experience while collecting material for this report. I have tried my best to prepare this report up to the required standard.

I hope that my project will be able to satisfy you.

Thank you very much.

Yours Sincerely,



Nur Jahan Khan
2002-3-10-034



Acknowledgement

At first I present my due regards to the Almighty, who have provided us the brilliant opportunity to build and complete this project successfully with good health & sound mind.

I would like to express my feelings & great affections along with my heartiest appreciation to Mr. **M Sayeed Alam**, Lecturer and Course Instructor, BUS 498, Project Work course, East West University for his kind co-operation. I also thank him for kindly assigning to me such a precious & significant project, which will always be remembered by me gratefully.

I would also like to thank the authorities of “EXIM BANK” They helped me a lot to gather lots of useful information about my project and also the sources of www.eximbd.com, published materials, <http://www.bangladeshibfo.com/business/bankng04.php>, <http://www.asiatradesh.com/bangladesh/banks.asp>. I would like to thank all of the respondents who cooperate and provide me information at utmost good faith.

At last I would like to thank the readers who have expended their valuable time in reading my Project Work.

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Chapter 1

1.1 Origin of the report

The project program of the students of the East West University, Bangladesh has to take place in a business firm, organization or an institution with an objective to provide a first hand experience to the students of the same. After the completion of the project program each student has to produce a report. Therefore, this report is undertaken as a part of the BBA program and will be prepared in compliance with the instructions of the respective faculty member of the School of Business of the East West University, Bangladesh. This report will describe the authoress experience during the semester project program undertaken in the Gulshan Branch of EXIM Bank Ltd. and a scope to analyze the future of the saving schemes of the Bank.

1.2 Background

The authority of the EXIM Bank Ltd. has kindly provide an opportunity to the authoress of this report to work with the Gulshan Branch of the bank and at the same time conduct a research work on the bank's operation and the future of the saving schemes of the Bank.

Traditional function of a bank can be described using a very short story. Savers accumulate money in the banks volt and than the banks disburse money in the form of loan. The earning of the banks comprises of the difference between the interest banks give to the savers and the interest banks receive from the loan subscribers. Although the banking business has developed a lot with due respect of time but this traditional function of the banks still remain as the major function of the commercial banks and until today balk of the revenue of the banks come through this path.

Therefore, the bankers of Bangladesh are concerned to attract more and more savers as the banking sector of the country is regarded as one of the

fastest growing sector in the economy of the country. From the beginning of the banking business bankers are more interested to attract small savers than large savers for protecting their own interest. Hence, the bankers of Bangladesh are also willing to attract more and more small savers than large savers. In response to this tendency the EXIM Bank Ltd. has also introduced a number of saving schemes in the market with an motive to attract the small savers.

The above facts inspired the authoress to work on the future of these saving schemes and analyze the current market response of these schemes.

1.3 Objectives

The objective of this report is mainly spread into two arenas. First objective is to implement the knowledge that the authoress has gained during the entire BBA program.

The second objective of this report can be divided into the following sub-objectives.

1. Get a clear idea about the operation of the Export Import Bank of Bangladesh Limited.
2. Deeply understand the bankers' perception towards small savers in terms of the other source of accumulating fund.
3. Analyze the future of the saving schemes
4. Recommend suggestions to enhance the efficiency of the current saving schemes
5. Market position of the saving schemes of the EXIM Bank Ltd in terms of the sources of accumulating fund.

1.4 Scope

The scope of the report will cover the Gulshan branch of the EXIM Bank Ltd. in which the authoress has taken the project and may extend to the different branch of the EXIM Bank Ltd. and also some other private commercial banks of the Dhaka to provide an authentic portray of the future of the saving schemes. A survey may be performed to draw a perfect conclusion about the future of the saving schemes.

1.5 Methodology

The report will be prepared on the basis of the survey done on different saving schemes. Published materials will also be used in the analysis if there are sufficient published materials. The other part of the report will be produce on the basis of the survey findings. The report will also gathered information from the face to face interview of the EXIM Bank officials and the officials of the other banks.

The saving schemes customers of the bank will also be surveyed with an open ended questionnaire to find out their expected attributes of the saving schemes.

1.6 Justification of the project

The banking sector of the Bangladesh is one of the fast growing sectors. The banks of Bangladesh perform various functions including traditional and more recent functions. Traditional functions include currency exchange, discounting commercial notes and making business loans, offering deposits schemes, safekeeping of valuables and offering checking accounts. More recent functions include granting consumer loans, equipment leasing, and selling retirement plans etc.

Most of the above services are mainly depending on how much fund a bank can raise. Which type of loan or how much loan should be offered by a bank completely depending on how, what type of fund and how much fund can be raised by that bank. Without enough fund all effort and plan will go in vain. Hence, it seems very important from a bank's point of view to accumulate enough fund and at the same time maintain its existence in the fast growing banking sector of Bangladesh.

There is no existence of money market in Bangladesh and as a result of the non existence of the money market banks have very few options to accumulate funds. These options include raise funds by raising deposits, get loan from the international money lenders alike Shamil Bank of Bahrain and to get loan from the lender of the last resort, Bangladesh Bank the central bank of the country. For many complicacies the last two options are often avoided by the bankers. Thus, the only one and mostly popular option of accumulating fund is raising deposits.

Therefore, work on the source of deposits i.e. the saving schemes is perfectly justified.

1.7 Limitations

The report may suffer from some limitations. These limitations include time limitation due to which the survey cannot be carried over the country to get an overall picture of the future of the saving schemes in the country. Another limitation of this report will be its only concentration on the private commercial banks. The report will completely avoid the state owned and foreign owned banking sector.

Chapter 2



2.0 ORIENTATION OF EXPORT IMPORT BANK OF BANGLADESH LTD.

2.1 The structure of modern banking systems

The banking systems of the world have many similarities, but they also differ, sometimes in quite material respects. The principal differences are in the details of organization and technique. The differences are gradually becoming less pronounced because of the growing efficiency of international communication and the tendency in each country to emulate practices that have been successful elsewhere.

2.2 Organizational overview of EXIM Bank

EXIM Bank Ltd. as the name implies a newly formed commercial bank but is the 1st of its kind in Bangladesh. It has been incorporated in Dhaka, Bangladesh as a public limited company and its Head Office of the Bank is located at Printers Buildings, 5 Rajuk Avenue, Motijheel Commercial Area, Dhaka -1000.

In the world of consumerism, the business organization of the world strive for the consumers satisfaction as a number one business strategy whatever may be the product of the organization, either service or non service. Service is the product of bank. There is a saying that customer service starts right from the stairs of the bank building. The guard at the door is the first person represents the bank, receives a customer with wishes in smiling face.

2.3 Historical background of the EXIM Bank

EXIM Bank was incorporated under the companies Act, 1994, on the 2nd June 1999. EXIM Bank believes in togetherness with its customers, in its march on the road to growth and progress with service. As a commercial bank we will do all traditional banking business including introduction of a

Chapter 2: Organizational overview

wide rang of savings and credit products, retail banking and ancillary services with the support of modern technology and professional skills.

The Export Import Bank of Bangladesh Ltd. commenced formal commercial banking Operation from 3rd August 1999 with the permission of Bangladesh Bank. The sponsors of the Bank are leading business personalities and reputed industrialists. The Bank has a sound capital base, its Authorized Capital is tk.1000.00 Million while its initial paid up capital is tk.225.00 million subscribed by the Sponsors. To solidify its capital base further, the paid up capital will further raise to Tk.450.00 million within a reasonable period by public offering of shares of the Company.

The bank will be immensely benefited furthermore from the able leadership of the Chairman and the valuable advice and guidance of the Advisor.

The Board of directors want to response in the management all executive powers to run this service industry's administration and credit portfolio independent without any undue influence from outside. The board will formulate policy and give policy directives to the Management Transparency and accountability will be strictly ensured at all levels of the bank. Bank will operate with integrity, competence and farsightedness abiding by all principles and provisions laid down in the Bank Company Act, 1991, the guidelines of Bangladesh Bank.

EXIM Bank will endeavor its best in consolidating this sector in helping growth and development of the backward linkage industries. With continuous dependence on the imported raw materials, the country's RMG sector might find base when the global apparel trade will be thrown wide open in 2005 with the end of multi Fiber arrangements. Development of composite textile sector may be helpful to get out of this problem.

Chapter 2: Organizational overview

Therefore the in EXIM Bank shall lead its mite to the development of this vital sector.

BOARD OF DIRECTORS

Directors

CHAIRMAN
MR.MD.NUZRUL ISLAM MAZUMDER

DIRECTORS

- 01.MR.ENAMUL HAQUE CHOWDHURY
- 02.MR.MD.NAZRUL ISLAM SWAPAN
- 03.MR.MOHAMMAD ABDULLAH
04. MR.MD.ALTAH HOSSAIN
- 05.MRS.NASREEN ISLAM
06. MR.MD.MAZAKAT HARUN
- 07 MR.ABDULLAH AL-MAMUN
- 08.MR.MD.FAHIM ZAMAN PATHAN
- 09.MRS.ASMA BEGUM
- 10.ENGR.AMINUR RAHMAN KHAN
- 11.MR.A.K.M.NURUL FAZAL
- 12.MRS.IFAT AKHTER ALIN
- 13.MR.ZUBAYER KABIR
- 14.MRS.RIZWANA K.RIZA
- 15.MR.MD.HABIBULLAH
- 16.MR.MD.NUR HUSSAIN
- 17.MR.ANJAN KUMAR SAHA
- 18.MR.MD.ABDUL MANNAN
- 19.MRS.FARJANA ISLAM

2.4 Executive Committee:

<u>EXECUTIVE COMMITTEE</u>	
01.	MR.MD.NAZRUL ISLAM MAZUMDER CHAIRMAN, EXECUTIVE COMMITTEE
02.	MR.MD.NAZRUL ISLAM SWAPAN
03.	MR.MOHAMMAD ABDULLAH
04.	MR.MD.ALTAF HOSSAIN
05.	MR.MD.MAZAKAT HARUN
06.	ENGR.AMINUR RAHMAN KHAN
07.	MR.A.K.M.NURUL FAZAL
08.	MR.ZUBAYER KABIR
09.	MR.MD.HABIBULLAH
10.	MR.MD.NUR HUSSAIN
11.	MR.ALAMGIR KABIR FCA ADVISOR
12.	MR.MOHAMMED LAKIOTULLAH MANAGING DIRECTOR

2.5 Objective of EXIM Bank

Bangladesh is now an integral part of global market. As such there is an urgent requirement for Bangladesh to place the traditional banking practices in harness with the global trades of a free market economy by following international banking customs, practices and standards. Today clients of a bank in Bangladesh are exposed as well as international markets. They have to stay update with their practice and standards to meet the demands of achieving harmony in the high standards of a free economy.

EXIM Bank fully appreciates the importance and implication of the rapidly emerging competition in the banking and finance sector of Bangladesh. It intends financing its customer suited to his or her place in the market. In this regards EXIM Bank emphasizes in its employment the software

aspects of human resource capability. It also emphasizes competence among its banking professional to cater to varied customer requirements to the modern time.

2.6 Mission of EXIM Bank:

The EXIM Bank has completed its successful existence on its career. And now it has taken a revolution of its business operation in 2001 searching for incremental improvement in productivity, operational efficiency and structure consequently, a new organization structure has been developing according to business focus and priorities and competitive pressures.

2.7 EXIM Bank Limited:

The business of banking consists of borrowing and lending. As in other businesses, operations must be based on capital, but banks employ comparatively little of their own capital in relation to the total volume of their transactions. The purpose of capital and reserve accounts is primarily to provide an ultimate cover against losses on loans and investments. In Bangladesh, there are many types of Banks, which are formed as commercial banks. But above all, EXIM Bank of Bangladesh Ltd. is a new kind of private commercial bank. The full abbreviation of EXIM Bank of Bangladesh Ltd. is Export Import Bank of Bangladesh Ltd. Originally; the name of the bank was Bexim Bank of Bangladesh Ltd. Later the management of EXIM Bank of Bangladesh Ltd. changed the name of the bank as EXIM Bank of Bangladesh Ltd. because of the case lodged Beximco group of industries.

The bank has got leading personalities, businessmen and reputed industrialists as its sponsors. The bank will be immensely benefited from the valuable advice of the experienced sponsors of the bank. The late chairman of the bank contributed much for the solid foundation of the bank at the initial Stage. Unfortunately his untimely death caused a

Chapter 2: Organizational overview

vacuum in the leadership of the bank but within the shortest possible time, the sponsors who in a position to select the next chairman of the bank. In 2000 EXIM Bank Limited made commendable in all business arena, like Deposit, credit, Fund Management, Investment and Foreign Exchange related business. The Bank achieved satisfactory progress in all areas of its operation and earned an operating profit of Tk.99.67 million.

2.8 Performance of EXIM Bank at a glance

SL no.	Particulars	2004	2005
01	Authorized Capital	1000.00	1000.00
02	Paid-up-Capital	225.00	225.00
03	Reserve fund	2.90	40.24
04	Deposits	1344.24	3934.47
05	Advances	233.78	2170.53
06	Investment	71.27	321.59
07	Foreign Exchange Business	388.40	7107.30
08	Income	15.72	187.38
09	Expenditure	13.67	87.71
10	Operating Profit	2.05	99.67
11	Fixed Assets	2.63	49.62
12	Earning per share	2.49	21.39
13	Loan as a % of total deposit	17.39%	55.17%
14	No. of Foreign Correspondents	86	154

Figure 2.1: Performance of Export Import Bank of Bangladesh Ltd.

2.9 Capital:

The Authorized Capital of the EXIM Bank Ltd. is Tk.1000.00 million and the initial Paid –up –capital of the Bank is Tk.225.00 million. It may be mentioned here that the reserve fund of total Tk.40.24 million include satisfactory reserve of Tk.16.04 million, Retained Earning Tk.0.59 million, Exchange Equalization fund of Tk.2.11 million and 1% General provision of Tk.21.50 million made for the unclassified loans, which are also available for determination of capital adequacy requirements of the Bank.

2.10 Deposits:

The total deposit of the Bank, which includes Bills Payable of Tk.30.24 million rose to Tk.3934.47 million as on December 31,2005 showing a substantial increase of more than 192.60% compared to that of last year which enabled the Bank to expand its Business and improve upon the profit position.

	Amount	Amount
Deposit	3863.09	3863091367
B/P	30.24	30240359
Interest Payable	41.14	41141361
Total Deposit	3934.47	3934473087

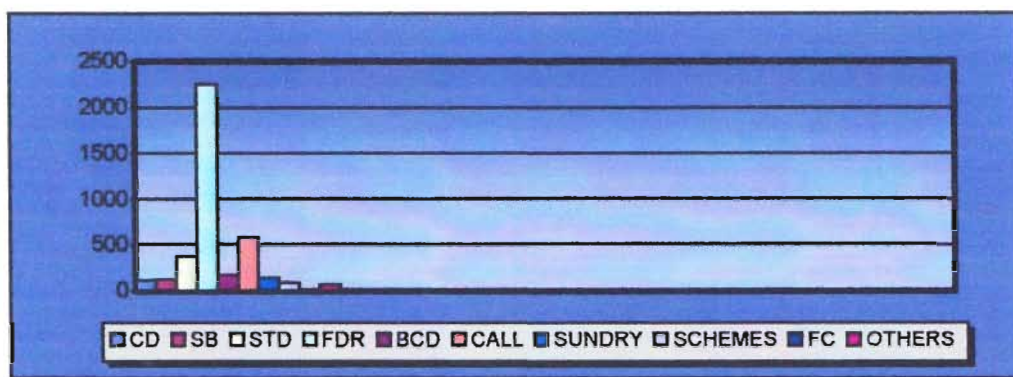
Deposit Mix:

In Million

CD	117.29	117288177
SB	122.29	122291245
STD	373.00	372998080
FDR	2250.39	2250393985
BCD	174.16	174155006
CALL	580.00	580000000
SUNDRY	147.82	147822425
SCHEMES	90.10	90103246
FC	8.03	8028903
OTHERS	71.39	71392020
TOTAL	3934.47	3934473087



Figure 2.2 : Deposits



2.11 Loans and advances:

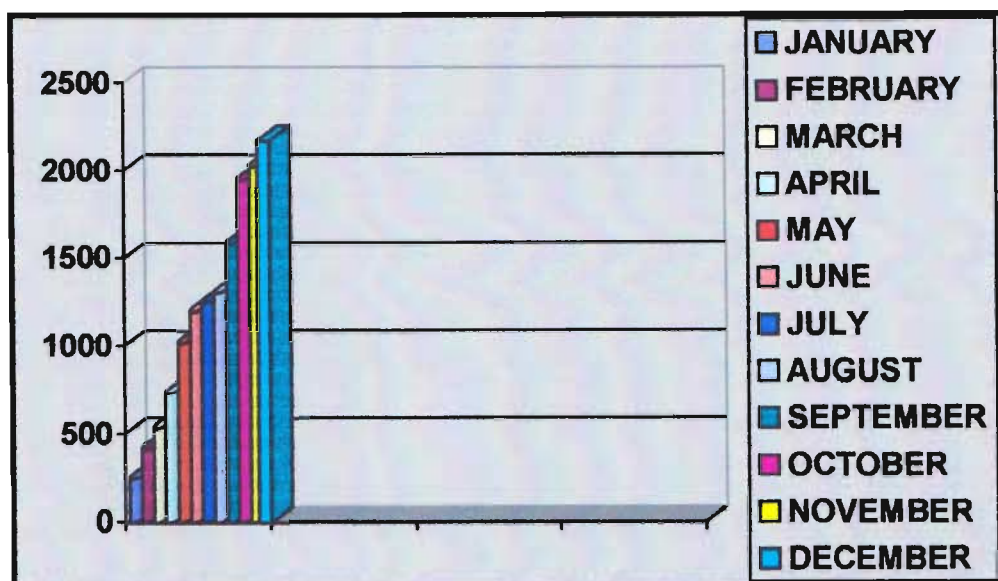
The total Loans and Advances of the Bank stood at Tk.2170.53 million as on December 31,2005 against Tk.233.78 million of last year. During the year under review, the Bank extended loans and advances Tk.1936.76 million for domestic and international Trade as well as to project finance and working capital. Due to liberal credit to export sector, the Bank was able to handle larger volume of Foreign Exchange Business. The Bank also extended a number of project finance and Industrial Loans singularly or in syndication with other Banks.

IN MILLION

MONTH	AMOUNT	AMOUNT
JANUARY	246.45	246447696
FEBRUARY	412.68	412683861
MARCH	526.40	526401541
APRIL	728.30	728303656
MAY	1014.37	1014370231
JUNE	1194.43	1194431152
JULY	1248.40	1248402266
AUGUST	1302.04	1302027538
SEPTEMBER	1578.07	1578065107
OCTOBER	1941.54	1941541521
NOVEMBER	2022.82	2022815598
DECEMBER	2170.53	2170534855

Chapter 2: Organizational overview

Figure 2.3: Loans and Advance



2.12 Investments

The size of Investment portfolio of the Bank as on December 13,2005 stood at Tk.321.59 million against Tk.71.27 million in the previous year recording growth of Tk.250.32 million i.e. 351%. The portfolio comprises of Treasury Bill and Shares.

IN MILLION

MONTH	AMOUNT	AMOUNT
JANUARY	115	115045300
FEBRUARY	115	115047500
MARCH	115	115045800
APRIL	135	135048500
MAY	175	175069000
JUNE	195	195071700
JULY	225	225104900
AUGUST	245	245226100
SEPTEMBER	295	295266800
OCTOBER	325	325083900
NOVEMBER	325	325301400
DECEMBER	345	3450551700

Figure 2.4: Investment



2.13 Treasury

EXIM Bank Limited, since inspection, operates treasury detailing of local money market operations by handling a significant value of treasury transaction. The Bank earned Tk.5.89 million from Local money market during the year. Foreign money market dealing room with automated returns terminal will be started very soon.

2.14 Import Business

The total import business handled during the year 2005 was Tk.4199.70 million as compared against Tk.330.60 million in the previous year showing an increase of 1170.33%. The significant items of import were industrial Raw Materials, consumer Goods, machinery, fabrics and Accessories etc.

Chapter 2: Organizational overview

MONTH	IN MILLION	
JANUARY	162.20	162200000
FEBRUARY	337.30	337300000
MARCH	633.00	633000000
APRIL	95.80	955800000
MAY	1240.70	1240700000
JUNE	1532.70	1532700000
JULY	1801.00	1801000000
AUGUST	2384.50	2364500000
SEPTEMBER	2727.70	2727700000
OCTOBER	3203.20	3203200000
NOVEMBER	3647.30	3647300000
DECEMBER	4199.70	4199700000

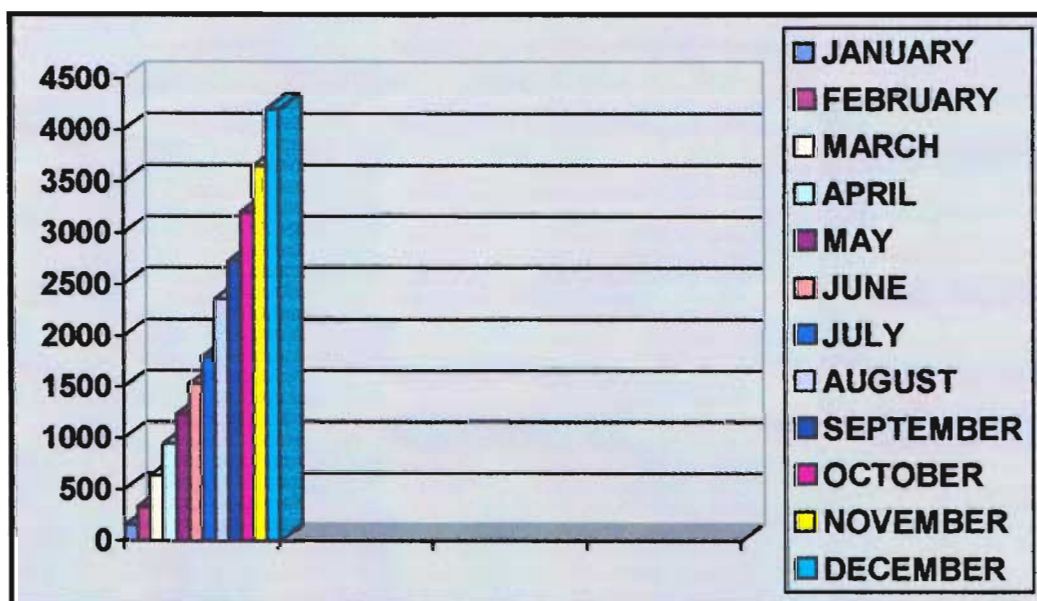


Figure: Import Business

2.15 Export Business

The total volume of Export handled by the Bank was Tk.2797.30 million compared to Tk.57.80 million in the previous year, registering an increase of 4739.62%. The export trade continues to be a major growth area for

Chapter 2: Organizational overview

the Bank intends to concentrate in this area of the business in coming years.

MONTH	IN MILLION	
JANUARY	74.60	74600000
FEBRUARY	106.50	106500000
MARCH	164.50	164500000
APRIL	293.20	293200000
MAY	528.00	528000000
JUNE	812.50	812500000
JULY	1051.70	1051.700000
AUGUST	1418.00	1418000000
SEPTEMBER	1643.20	1643200000
OCTOBER	1968.70	1968700000
NOVEMBER	2355.00	2355000000
DECEMBER	2797.30	2797300000

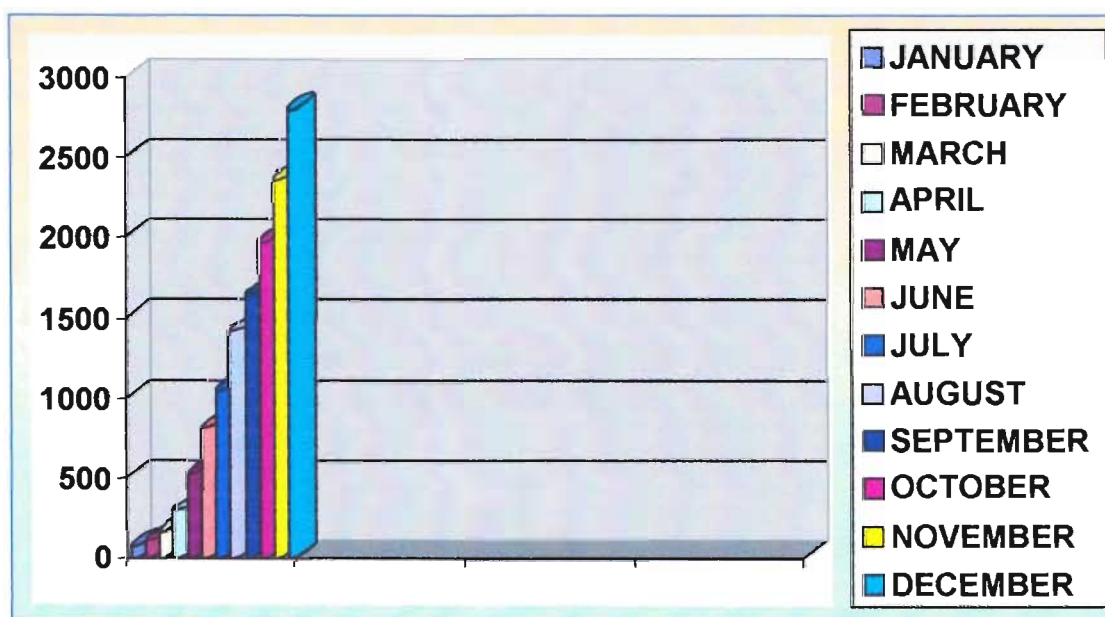


Figure 2.6: Export Business

2.16 Profit and operating Results

The year 2005, a growth in operating profit of the bank to Tk.99.67 million recording an application increase which was due to prudent lending and optimum management of funds.

2.17 Branch Network

EXIM Bank currently has 5 branches in Dhaka and 3 branches in Chittagong, Emamgong and Noakhaly.

Chapter 3

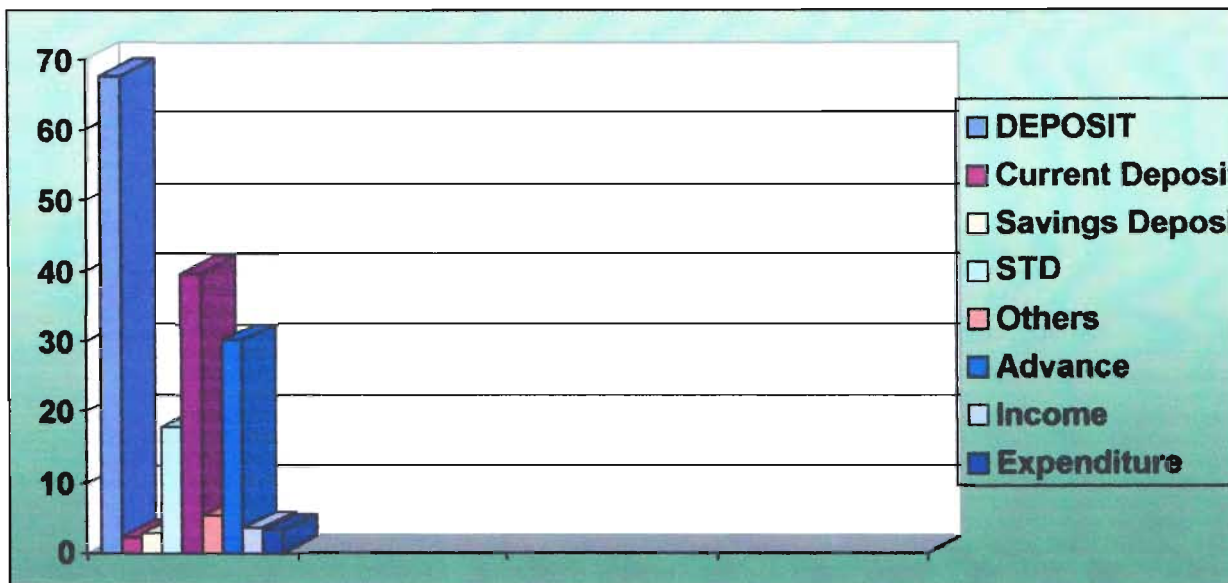
3.0 Gulshan Branch at a glance

The primary objective of Gulshan Branch is to mobilize the traditional business to grow at an accelerated rate and maintain the growth of the special business such as import and export trades.

Gulshan Branch opened on 10th December 2000 and obtained Authorized Dealer (AD) license with effect from 10th January 2001. After obtaining the license Gulshan branch have started its foreign exchange business.

3.1 The position of the EXIM Bank Gulshan Branch At A Glance As on 31-12-2001

Deposit	Tk. 67.69 crore
Current Deposit	Tk. 2.22 crore
Savings Deposit	Tk. 2.81 crore
STD	Tk. 17.82 crore
Fixed Deposit	Tk. 39.59 crore
Others	Tk. 5.25 crore
Advance	Tk. 30.19 crore
Income	Tk. 3.57 crore
Expenditure	Tk. 3.35 crore
Net Income	Tk.0.2231 crore

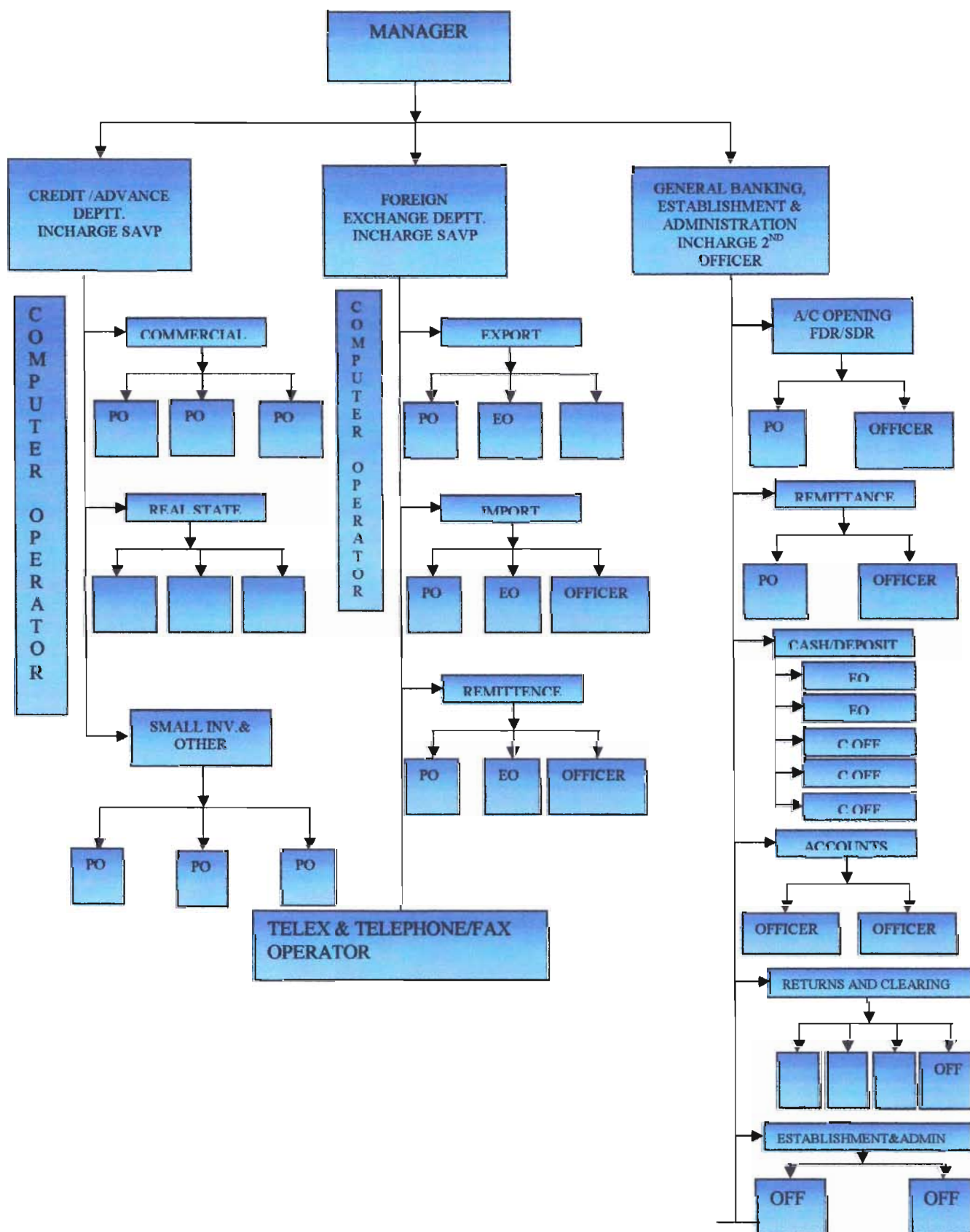


NET PROFIT (INCOME-EXPENDITURE) TK.0.2231 Crore/=

Figure 3.1: Position of EXIM Bank (Gulshan Branch)

3.2 ORGANOGRAM OF EXPORT IMPORT BANK OF BANGLADESH LTD.GULSHAN BRANCH, DHAKA.

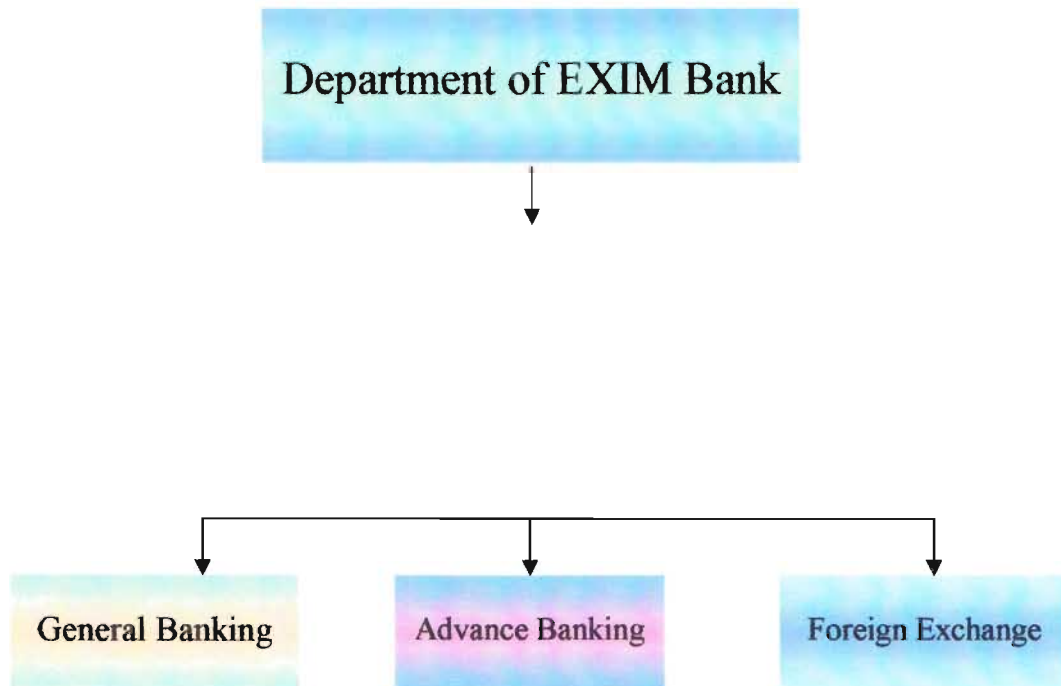




Chapter 4

4.0 Working Sector of EXIM Bank

The analysis of basic function of each department of EXIM Bank is mainly covered only by the head office.



Part A

GENERAL BANKING

4.1 General Banking General Banking is designed to provide financial service to the general people in saving their money, smoothing transactions for businessman and ensure security of the precious wealth of the clientele. Under general banking the EXIM Bank provides offers varies kind of accounts. Different aspects of general banking are briefly discussed below:

4.1.1 Account facilities

The EXIM Bank provides different types of account under account facilities. These accounts can be classified into three major categories as shown below:

- i) **Savings Accounts.**
- ii) **Current Accounts.**
- iii) **Fixed Deposit Accounts.**
- iv) **Short Term Deposit A/c.**

The EXIM Bank has some checklist for account opening.

Proprietorship

- **Trade License**
- **Photograph**

Partnership

- **Trade license**
- **Photograph**
- **Partnership deed (Attested by notary public),**
- **Resolution (if more than 2 partners)**

Private Limited

- **Trade License**
- **Photograph of Directors,**
- **Certified copy of memorandum and articles of association,**
- **Certificate of Incorporation,**

- List of directors as per return of joint stock company with signature,
- Resolution for opening account with bank.

Public Limited

- Trade License
 - Photograph of Directors,
 - Certified copy of memorandum and articles of association,
 - Certificate of incorporation,
 - Certificate of commencement of business,
 - List of directors as per return of joint stock company with signature,
 - Resolution for opening account with bank.
- * Association/Club/Charity/Trust/ Society etc.

4.1.2 Saving Schemes

There are six saving schemes in EXIM Bank. Three of them are as under:

1) Monthly Income Scheme

A monthly income scheme that really makes good sense. A sure investment for a steady return.

◆ Highlight of the scheme

- Minimum deposit Tk.25, 000
- Higher monthly income for higher deposits
- The scheme is for a 5-year period.

Deposit Amount	Income
Tk.25000	Tk.250
Tk.50000	Tk.500
Tk.100000	Tk.1000
Tk.200000	Tk.2000
Tk.500000	Tk.5000
Tk.1000000	Tk.10000
Tk.15,00,000	Tk.15,000

Objectives of the Scheme

- An account is to be opened by filling up a form.
- The Bank will provide to the customer a deposit receipt after opening the account. The receipt is non-transferable.**
- If the deposit is withdrawn before a 5 Year term, then saving interest rate will be applicable and paid to the depositor. However, no interest rate will be paid if the deposit is withdrawn within 1 year of opening the account and Monthly Income paid to the customer will be adjusted from the principal amount.**
- A depositor can avail loan up to 80% of the deposit amount under this scheme. In this case, interest will be charged against the loan as per Bank's prevailing rate. During the tenure of the loan, the Monthly Income will be credited to the loan amount inclusive of interest.

Money grower

A monthly saving scheme



Secure your future with ease. A small saving today will provide you comfort tomorrow.

Savings period and monthly installment rate

The savings period is for 5,8,10 or 12 years.

Monthly installment size is Tk.500/-, 1000/-, 2000/-and 5000/-

Monthly installment

- The savings amount is to be deposited within the 10th of every month. In case of holidays the deposit amount is to be made on the following day.
- The deposit may also be made in advanced.
- The depositor can have a separate account in the bank from which a standing instruction can be given to transfer the monthly deposit in the scheme's account.
- In case the depositor fails to make the monthly installment amount will be charged. The charged will be added with the following month(s) installment and lowest charged will be 5% (Minimum) or Tk.10/-

Withdrawal

- Generally, withdrawal is not advised before a 5 year term, but if it is withdrawn before a 5 year term, but it is withdrawn before the above term, then interest will be paid at savings rate. However, no interest will be paid if the deposit is withdrawn within 1 year of opening the account.
- In case the depositor wishes to withdraw between the 5,8,10 or 12 year period then full interest will be applicable for the financial period as per contract.

Loan Advantage

After three years of savings in this scheme the depositor (if an adult) is eligible for a loan up to 80% of his deposited amount. In that case, interest rates on the loan will be applicable as per prevailing rate at that time.

Reasons for disqualification from this scheme

If the depositor fails to pay 3 installments in a row, then he will be disqualified from this scheme and interest will be applicable as mentioned in withdrawal clause.

If a depositor fails to pay 5 installments in a row after completion of 5 years term, then the bank reserves the right to close the account and interest will be paid as mentioned in withdrawal clause.

In case of death of the depositor the scheme will cease to function. The amount will be handed over to the nominee of the deceased depositor. In case of absence of the nominee the bank will hand over the accumulated amount to the successor of the deceased.

Term	Monthly Installment	Monthly Installment	Monthly Installment	Monthly Installment
	500/=	1,000/=	2,000/=	5000/=
5 Years	41,400/=	82,800/=	1,65,000/=	4,14,000/=
8 Years	81,800/=	1,63,600/=	3,27,200/=	8,18,000/=
10 Years	1,18,450/=	2,36,400/=	4,72,800/=	11,84,500/=
12 Years	1,65,993/=	3,31,986/=	6,63,973/=	16,59,932/=

Rules

- A form has to be filled at the time of opening the account. No introduction is needed but attested photographs are advised
- The depositor can select any of the installment amounts which cannot be subsequently changed.
- In case of minors the guardians may open and supervise the account

in his favor.

- A single person can open more than one account for saving under **several installment sizes.**
- The accumulated deposit with interest will be returned within one **month of completion of a term.**
- The depositor should notify the bank immediately on any change of **address.**
- The government tax will be deducted from the interest accumulated in **his scheme.**
- If necessary, at the request of the depositor, the scheme can be **transferred to a different branch of the same bank.**
- The bank reserves the right to change the rules and regulations of the **scheme as and when deemed necessary.**

- Personal Account for Individual/Joint Account
- Limited Liability Company Private/Public**
- Sole Proprietorship /Unregistered Partnership Account
- Registered Partnership**
- Association/Club/Charity/Trust/Society

Smart Saver Scheme:

Smart saver is a higher-return savings plan, which helps a customer build up a **sizable amount in a period of 5 years.** This scheme offers a customer to buy Sanchay Pattra 4 times the invested amount. A customer can invest in **5 years Bangladesh Sanchay Pattra and 8 years Patirakkha Sanchay Pattra.**

Working activities of this scheme:

Smart Saver is available unit wise. One unit of Sanchay Pattra is Tk.25,000/= .For purchasing 1(one) unit Sanchay Pattra a customer has to invest Tk.5, 000/= as down payment and the Bank will provide loan

for Tk.20, 000/= . The loan is repayable monthly in equal installment of Tk.490 for a period of 5 years. At the end of the 5 years period the Sanchay Pattra will be encashed and the customer will be paid Tk.43, 125/= . For 8 years Sanchay Pattra (PSP) a customer can either encash or retains the same until maturity.

Maximum Investment

60 units i.e. Tk.15, 00,000/= in single name.

120 units i.e. Tk.30, 00,000/= in joint names

Rules:

This scheme is eligible for person's aged between 18 and 60.

One unit of Sanchay Pattra is Tk.25, 000/= . A single customer can invest up to 60 units. During the tenure of the loan the Sanchay Pattra will be kept in the Bank as security.

The customer will have to open a Savings Account and monthly installment of Smart saver will be debited from the account commencing from 30 days after opening loan account. Within the 1st year if the customer fails to repay 3 consecutive installments then only the principal amount of Sanchay Pattra will be encashed and the loan will be liquidated inclusive of accrued interest and balance paid to the customer. After completion of 1 year, applicable interest will be added with principal amount of Sanchay Pattra before encashment. In both cases closing charges will be Tk.500.

If the customer under consideration miss any installment on due date than customer will be charged Tk.25 per unit. In the event of death of the customer, the Bank shall be entitled to encash the securities and adjust the dues first before any refund is made to the nominees/successors.

The Bank reverses the right to amend the rules and rates as and when deemed necessary.

Calculation of the scheme is given below:

Unit	1 Units	2 Units	4 Units	8 Units	10 Units	30 Units	60 Units
Sanchay Pattra Investment	25,000	50,000	1,00,000	2,00,000	2,50,000	7,50,000	15,00,000
Down Payment (20%)	5,000	10,000	20,000	40,000	50,000	1,50,000	3,00,000
Bank loan(80%)	20,000	40,000	80,000	1,60,000	2,00,000	6,00,000	12,00,000
Monthly installment	490	980	1,960	3,920	4,900	14,700	29,400
Customer is paid (after 5 year)	43,125	86,250	1,72,500	3,45,000	4,31,250	12,93,750	25,87,500

4.1.3 Remittance Section

When a client is ordering the Bank to pay to in other account through a check or cash is known as pay order. It is a liability for the Bank. To prepare a pay order has to fill a pay order form and has to deposit the same amount of money in the Bank. The remittance

Department is consisted of three sections, those are as follows:

- ❑ Pay Order(PO)
- ❑ Demand Draft(DD)
- ❑ Telephone or Telegraph Transfer (TT)

Pay Order (PO):

Pay Order is one kind of unconditional promissory note or instrument that are issued by the Bank to the customer .The difference between cheque and pay order is the mode of encashment.

Demand Draft:

Demand Drafts are made for the transfer of money from one place to another in the form of cheque through a particular Bank, which can be encashed right way. The Bank issues DD for their outer district branches.

Telegraph/Telephone Transfer:

If a customer asks his or her branch to transfer money to another branch of the bank then that is called telegraph or telephone transfer. For TT, there is a particular form. When the form is filled up properly and deposits the amount by the applicant, the authorized officer issued a cost memo to the applicant for their confirmation.

Issuing Cheque Books:

Customer requiring check books to fill out requisition slip. For saving accounts 10 pages checkbook issued and CD/SOD/CC accounts issued 25 and 50 pages checkbook.

4.1.4 Clearing Section:

In the clearing section the work is to clear the cheques, DD's and PO's through Bangladesh Bank that are submitted for cash collection. Everyday clearinghouse takes place in Bangladesh Bank, once in the morning called morning house another in the evening called return house. In the house all the Banks representative sit together and exchange their money receive instrument of there particular banks to clear the paper and transfer the money to their particular accounts.

Types of clearing:

There are two types of clearing

- 1) In-ward
- 2) Out-ward

In-ward:

Those cheques or instrument of EXIM, which are submitted to other banks for collections are, called in-ward clearing.

Out-ward:

The cheques of other banks that are submitted to the EXIM for collection are called Out-ward clearing.

Part B

ADVANCE BANKING

4.2 Advanced Banking

Advanced Banking is one of the significant schemes of the EXIM Bank limited. It contributes a huge portion of income in the EXIM Banks total revenue. It provides different types of loan to its borrowers as a lender. The bank operates advance facilities through different branches but the entire loan sanction procedure is controlled and monitored by Head Office. Certain terms and condition are followed when the loan is sanctioned to the borrowers. Now advance banking is discussed in detail as follows:

4.2.1 Credit policy

EXIM is a new generated Bank. It is committed to provide high quality financial services/products to contribute to growth of G.D.P. of the country through stimulating trade & commerce, accelerating the pace of industrialization, boosting up export, creating employment opportunity for the educated youth, poverty alleviation, raising standard of living of limited income group and over all sustainable socioeconomic development of the country.

To achieve the aforesaid objectives of the bank, Credit operation of the bank is of paramount importance as the greatest share of total revenue of the Bank is generated from it, maximum risk is centered in it and even the very existence of Bank depends on prudent management of its credit portfolio. The failure of a commercial bank is usually associated with the problem in credit portfolio and is less often the result of shrinkage in the value of other assets. As such, credit portfolio is not only features dominants in the assets structure of the Bank also. To provide a broad guide line for the Credit operation towards achieving the objectives of the bank, for efficient and profitable deployment of its mobilized resources and to administer the credit Port-Folio in the most efficient way, a clearly defined, well planned, comprehensive and appropriate Credit Policy and control guidelines of the bank is A pre-requisite.

In view of the above, this credit Policy and Control guidelines of the bank has been prepared subject to amendment, revision, re-adjustment and refinement as and when required by the Bank.

The purpose of this policy statement, which replaces all previous ones, is to set out the credit policies of the Board of Directors. The policies are described as under:

- **Credit Principles**
- Global Credit Port-Folio limits
- **Credit Categories**
- Types of credit activities
- **Credit approval**
- Credit administration
- **Credit monitoring and review.**

4.2.2 Credit Principle

The following are the principles to be adopted for lending authority, approval, monitoring and control on a basis consistent with the global operational objectives and business strategies of the bank.

1. General

The bank shall provide suitable credit services and products for the markets in which it operates. Loans and advances shall normally be financed from customers' deposits and not out of temporary funds or borrowing from other Bank.

Credit will be allowed in manners, which will in no way compromise the Bank's standards of excellence and to customers who will complement such standards. All credit extension must comply with the

requirements of the of Bank's Memorandum & Articles of Association, Banking Companies Act 1991 as amended from time to time, Bangladesh Bank's instruction and other applicable rules and regulations.

2. Structural

The authority structure for extension of credit should enable effective adaptation to changes in the economic, technological, regulatory and competitive environment within which the Bank operates.

3. Performance

The conduct and administration of the loan portfolio should contribute, within defined risk limitation, to the Bank's achievement of portfolio growth and superior return on the bank's capital.

Credit advancement shall focus on the development and enhancement of customer relationship and shall be measured on the basis of the total yield for each relationship with a customer (on a global basis), through individual transactions should also be profitable.

Credit facilities will be extended to those companies/persons, which can make best use of them, thus helping to maximize our profits as well as economic growth of the country. To ensure achievement of this objective it will base it's lending decision mainly on the borrower's ability to repay. If credit facilities are granted on a transaction /one-off basis the yield from the facility should be commensurate with the risk.



4. Loan pricing

Interest on various lending categories will depend on the level of risk and type of security offered. It should be kept in mind that rate of interest is the reflection of risk in the transaction. The higher is the risk, the higher is the interest rate. Interest may be reviewed at least once in 6 months and more often when appropriate. Fixed interest rate should be discouraged. Preferably all rates should vary with cost of funds fluctuation based on a spread for profit.

Effective yield can be enhanced to the extent the borrowers are required to maintain deposits to support borrowing activities. Commitment fee and service charges should further improve yield where possible. All pricing of loans should however have relevance with the market condition and be approved by the Executive Committee/Managing Director from time to time.

5. Administration/Monitoring

The administration of the loan process shall ensure compliance with all laws and regulations at both local and global levels including Bank Policy as set out in this document and the Bank's credit manual/circulars.

Proper analysis of credit proposal is complex and requires a high level of numerical as well as analytical ability and common sense. To ensure effective understanding of the concepts and thus to make the overall credit portfolio of the Bank healthy, proper staffing of the credit departments shall be done through placement of qualified officials who have got the right aptitude, formal training in finance, credit risk analysis, Bank credit procedures as well as required experience.

Where repayment and interest servicing performance of a credit

deteriorates it shall be identified at an early state and closely monitored in order to avoid loan losses.

Loans/facilities, and where appropriate, related security, shall be monitored and reviewed by a separate unit unconnected with the credit approval process on a regular basis in order to assess the collectability of the loan and effectiveness of the security. This unit will report to the Managing Director or his designated officer.

6. Exception of Loan policy

It is recognized that there will be exceptions to the stated policy, which can be justified. However, the Board should approve these by the Executive Committee or and the circumstances must be fully documented in the credit file.

4.2.3 Global Credit Portfolio Limits

The nature of credit portfolio shall be governed within guidelines set down by Head Office and regulatory requirements. These guidelines will however be consistent with the global limits identified below for the bank's credit portfolio in aggregate. Criteria for exposure to customers are set as under:

1. Total Facilities

The aggregate of all cash facilities shall not exceed 80% of customer deposit. It is further governed by the statutory and liquidity reserve requirement of Bangladesh bank.

2. Term facilities

Aggregate long-term facilities shall not exceed 20% of the total credit portfolio. Facilities shall not be allowed for a period exceeding 5(Five) year. Any exceptions will require the approval of the Board of directors.

3. Country/Cross Border Exposure

Limits are to be established by the Board for individual Country as well as for aggregate Bank Credit exposures to different countries. These limits are to be reviewed from time to time with due regard to the political and economic environment in each country. The country exposure limits may be utilized up to maximum amounts for different maturates as follows:

- *** For maturity up to one year: 100%**
- *** For maturity up to two year: Maximum 50% of the limit.**
- *** For maturity up to three year: Maximum 25% of the limit.**
- *** For maturity beyond three years: Maximum 10% of the limit.**
- **For exceptions, approval is required from the Board of Directors.**

4. Exposure to Customer Groups

Credit facilities in aggregate extended to any one-customer group shall not normally exceed 15% of the capital fund or Tk.10 (ten) crore whichever is lower. However, Board of Directors may relax these limits in deserving cases. All proposals submitted to Head Office will also be required to indicate the extent of Bank's global exposure to that customer group.

5. Sector-wise allocation

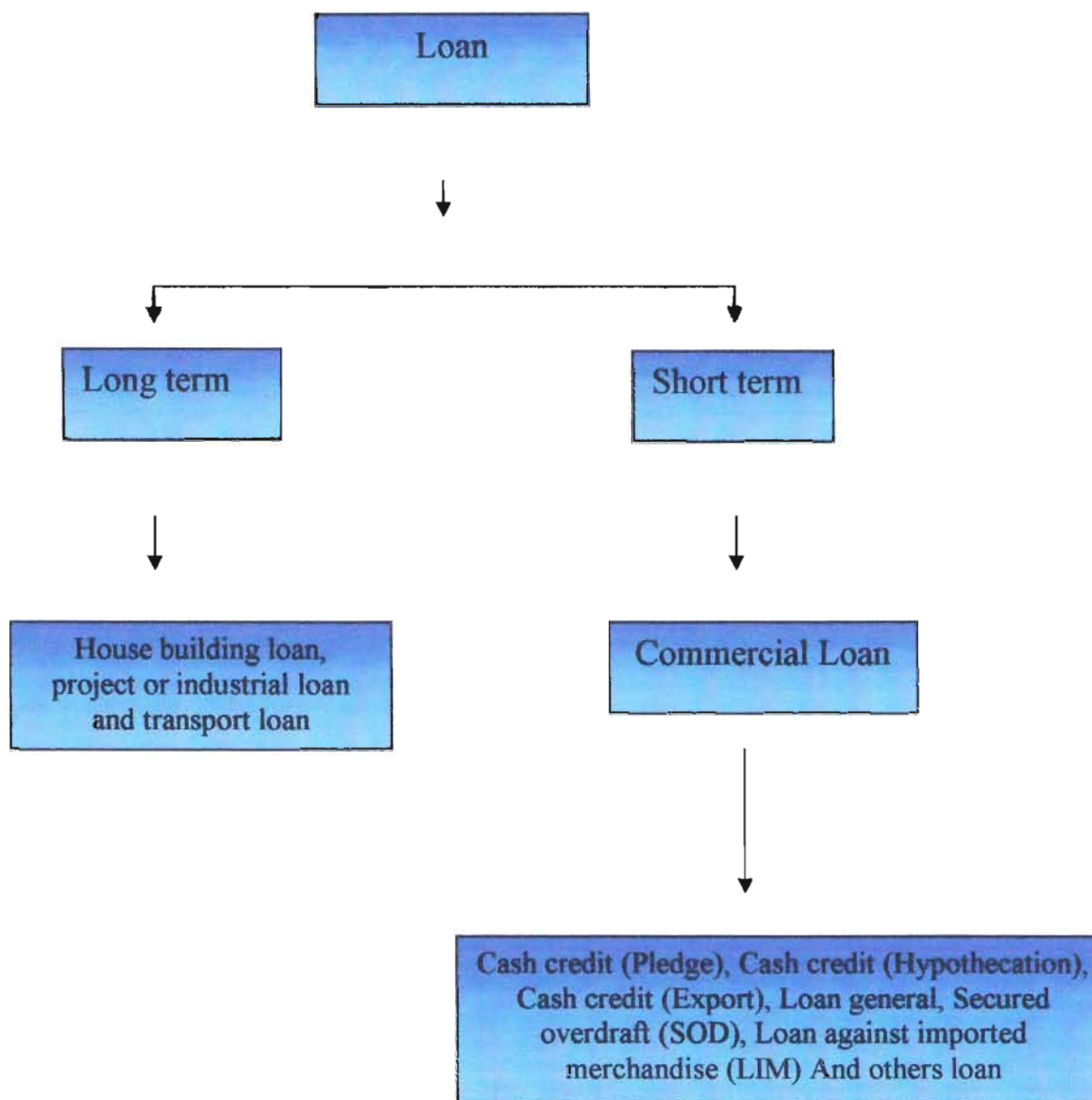
Sector-wise allocation of credit shall be made annually with the approval of Executive Committee/Board of Directors. This will be reviewed from time to time.

6. Security :

Security accepted against credit facilities shall be properly valued and shall be affected in accordance with the laws of the country in which the security is held. An appropriate margin of security will be taken to reflect such factors as the disposal costs or potential price movements of the underlying assets.

4.2.4 Types of Credit Activities

Depending on the various nature of financing, all the lending activities have been brought under the following major heads;



Loan (General)

Short term & long term loans allowed to individual/firm/industries for a specific purpose but a definite period and generally repayable by installments fall under this head this type of lending are mainly allowed to accommodate financing under the categories.

- A) Large & Medium Scale industry.
- B) Small & Cottage Industry. Very often term financing for Agriculture and others are also included here.

House Building Loan (General)

Loans allowed to individual/enterprises for construction of house (residential or commercial) fall under this type of advance. The amount is repayable by monthly installment within a specified period, advances are known as Loan (HBL-GEN).

Introduction

House Building loan is one of the common credit policies of banking sector. There was only one bank in our country, which is specified in HBL Bangladesh House Building Finance Corporation. Now days, besides this hank many commercial banks and Leasing Co. provides house building loan to the customers.

Interest rate

Currently the interest rate is 16%. But it may changes from time to time depending on the market interest rate. From the customers point of view this changes have an adverse impact on the customers. Some times if

they have to bare a higher interest on the principal amount which causes a great burden to them.

But from the bank's point of view this is very good to maintain the markup because when the market interest rate raises 1% than they are getting 1% less markup. So for this clause of increasing interest rate they can have the same markup by increasing the interest rate chinning on the clients. So this is very effective for the Bank to maintain markup.

Disbursement Procedure

The disbursement procedure or timing of disbursement depends on the client or the progress of work of the construction. The disbursement can be made two or three stages or more depending on the above conditions.

Mode of repayment

The loan shall be adjusted by monthly installment basis. The repayment will start from 6 Months of the date of first disbursement (it may change according to the terms and conditions of the agreement)

Collateral

The land and the construction on the land are normally given as collateral.

It may changes—

Charge documents to be obtained:

- a. DP note.
- b. Letter of disbursement.
- c. Letter of installment.
- d. Letter of guarantee.
- e. Letter of undertaking.
- f. Letter of agreement.

- g. Irrevocable general power of attorney.
- h. Memorandum of deposit of title deed.
- i. Any other documents if considered.

1) House Building Loan(Staff)

Loans allowed to our Bank employees for purchase/construction of house shall be known as Staff Loan (HBL-STAFF).

2) Other Loans to Staff

Loans allowed to employees other than for House Building shall be grouped under head-staff Loan (gen.).

3) Cash Credit (Hypo)

Advances allowed to individual/firm for trading as well as wholesale purpose or to industries to meet up the working capital requirements against hypothecation of goods as primary security fall under this type of lending. It is a continuous credit. It is allowed under the categories:

- "Commercial lending" - when the customer is other than an industry and
- "Working Capital" - when the customer is an industry.

4) Cash credit (Pledge)

Financial accommodations to individual/Firms for trading as well as for wholesaler to industries as working capital against Pledge of goods as primary security fall under this head of advance. It is also a continuous credit and like the above allowed under the categories.

- a. "Commercial Lending".
- b. "Working capital".

5) SOD (Secured overdraft) (General)

Advances allowed to individual /firms against financial obligation (i.e. lien on FDR/PSP/BSP/Insurance Policy/Share etc.). This may or may not be a continuous Credit.

6) SOD (Secured overdraft) (Others)

Advances allowed against assignment of work order for execution of contractual works falls under this head. This advance is generally allowed for a definite period and specific purpose i.e. it is not a continuous credit. It falls under the category "others".

7) SOD (Secured overdraft) (Export)

Advance allowed for purchasing foreign currency for payment against L/Cs (Back to Back) where the exports do not materialize before the date of import payment. This is also an advance for temporary period, which is known as export finance and under the category "Commercial Lending"

8) PAD (Payment against documents)

Payment made by the Bank against lodgment of shipping documents of goods imported through L/C falls under this head. It is an interim advance connected with import and is generally liquidated against payments usually made by the party for retirement of the documents for release of imported goods from the customers' authority. It falls under the category "Commercial Bank".

9) LIM (Loan against imported merchandise)

Advances allowed for retirement of shipping documents and release of goods imported through LIC taking effective control over the goods by pledge in go downs under Bank's lock & key fall under this type of advance. This is also a temporary advance connected with import, which is known as post-import financing and falls under the category "Commercial Lending".

10) LTR (Loan against trust receipt)

Advance allowed for retirement of shipping documents and release of goods imported through LIC falls under trust with the arrangement

that sale proceeds should be deposited to liquidate the advances within a given period. This is also a temporary advance connected with import and known as post-Import finance and falls under the category "Commercial Banking".

11) IBP (Inland bill purchased)

Payment made through purchase of inland bills/cheques to meet urgent requirement of the customer falls under this type of credit facility. This temporary advance is adjustable from the proceeds of bills/Cheques purchased for collection. It falls under the category "Commercial Lending".

12) Export Cash Credit(ECC)

Financial accommodation allowed to a customer for exports of goods falls under this head and is categorized as "Export Credit". The advances must be liquidated out of export proceeds within 180 Days.

13) Packing Credit(P.C)

Advance allowed to a customer against specific LIC/Firm contract for processing/Packing of goods to be exported falls under this head and is categorized as "Packing Credit". The exported falls under this head and is categorized as "packing Credit". The advances must be adjusted from proceeds of the relevant exports within 180 days. It falls under the category "Export Credit".

14) FDBP (Foreign documentary bill purchase) (Foreign)

Payment made to a customer through purchase/negotiation of a foreign documentary bills falls under this head. This temporary advance is adjustable from the proceeds of the shipping/export documents. It falls under the category "Export Credit".

4.2.5 Credit Approval

The primary factor determining the quality of the Bank's credit portfolio is **the ability of each borrower to honor, on a timely basis, all credit commitments made to the Bank. The authorizing credit personnel period to credit approval must accurately determine this.**

The credit approval process shall be governed by the Bank Credit Policy framework, which can be summarized under the following:

1) Credit Evaluation Principles :

To have the optimum returns from the deployed funds in different kinds of lending, more emphasis shall be given on refund of loans and advances out of funds generated by the borrowers from their business activities (Cash Flow) instead of realization of money by disposing of the securities held against the advance which is very much uncertain and time consuming. Accordingly the credit evaluation principles must be adhered to at every level of approval.

The lending risk analysis tool containing analysis of both the business risk and security risk provides overall ratings of risk in a particular loan under the following lending process:

- **Assess risk of failure to repay.**
- **Decide whether to accept or reject a loan proposal.**
- **Set price and terms.**
- **Obtain sanctioning documents and disburse loan.**
- **Monitor performance and ensure repayment/Recovery.**

The most pertinent and part of the process is assessment of risk of failure to repay which deals with the overall lending risk combining the business

risk and the security risk in a matrix derived out of six segments of the Business risk viz.

☞ *Suppliers Risk*

☞ *Sales Risk*

☞ *Performance Risk*

☞ *Resilience Risk*

☞ *Management Competence Risk*

☞ *Management Competence Risk*

☞ *Management Integrity Risk*

The overall matrix provides four kinds of lending risk for decision-makers viz.

- Good
- Accepted
- Marginal And
- Poor which are detailed in the Lending Risk Analysis Circular/Credit Manual.

Bank shall not approve any lending having an overall risk as “managerial” and “poor’ without proper justifications except for renewal of existing facilities under compelling circumstance or for other reason such as

salvage, which shall also contain convenience for future improvement of the position. All credit applications rated "poor" shall require the approval of the Board regardless of purpose, tenor or amount.

2) Credit Risk Evaluation /Assessment

The importance of a detailed and complete credit risk assessment for each facility and customer relationship cannot be over emphasized. The steps that should be followed in carrying out such an assessment are set out in the Bank credit manual and in Head Office Circulars issued from time to time. All proposals of credit facilities must be supported by a complete analysis of the proposed credit. A comprehensive and accurate appraisal of the risk in every credit exposure of the bank is mandatory. No proposal can put up for approval unless there has been a complete written analysis. It is the absolute responsibility of the proposal officer to ensure that all necessary proposal documentation is collected before the facility request is sent to the sanctioning officer.

3) Lending Authority

To assure proper and orderly conduct of the business of the Bank, the Board of Directors will empower the Managing Director and other Executives of the Bank to lend up certain amount under certain terms and conditions at their discretion. The lending officers are broadly categorized as follows:

- Managing Director
- Deputy Managing Director
- Executive Vice President
- Senior Vice President



- Vice President

- Senior Asstt. Vice President

- Asstt. Vice President

The amount and scope of each Officer's lending authority is a function of **the amount and extent of authority required by the Officer to carry out his /her responsibilities to the Bank and its clients in a prudent, effective and efficient manner.**

It must be emphasized that an Officer will not be delegated lending authority only on the basis of his position. In other words, an officer does not automatically get lending authority by virtue of his corporate and/or functional title. Specified lending authority will be delegated by the Managing Director to various Executives after taking into consideration his proven credit judgement, knowledge and experience. The amount of lending authority approved by the Board for various Executives forms the upper limit of the authority that may be delegated to an officer holding corporate title.

Each individual's lending authority will be delegated to him in writing. **Authorities given to an incumbent will not automatically be transferred to a replacement.** The letter will have lending authorities delegated to him in writing and amount delegated will depend upon the individual.

The Managing Director with the Executive Committee/ Board will review all **lending authorities periodically.**

4) Approval under dual signature

All approval of credit facilities must be conveyed under dual signature, and ideally both the signature must have the required lending

authority. If however, two lending officers of the required lending authority are not available, one of the signatories must have the lending authority.

5) The Responsibilities for the Credit Policy, procedure, approval & review shall vest amongst the following groups

a) Board of directors :

Establishing overall policies and procedure for approving & reviewing Credits.

Delegating authority to approve and review Credits.

Approving Credit for which authority is not delegated.

Approving all extensions of credit, which are contrary to Bank's written credit policies.

b) Executive Committee

Executive Committee of the Board shall be responsible for:

- ❖ Approving credit facilities as delegated by the Board of Directors.
- ❖ Supervising the implementation of the Directives of the Board of Directors.
- ❖ Reviewing of each extension of credit approval by the Head Office Credit Committee /Managing Director.
- ❖ Keeping the Board of Directors informed covering all the above.

c) Policy Committee

❖ **Establishing Lending Policy**

- ❖ Establishing Policies & procedure for reviewing and analyzing extensions of credit and loan portfolios.

d) Documentation

It is essential that the proposal defines clearly the purpose of the facility, the sources of repayment, the agreed repayment, the agreed repayment schedule, the value of security and the customer relationship considerations implicit in the credit decision.

Where security is to be accepted as collateral for the facility all documentation relating to the security shall be in the approval form. All approval procedures and required documentation shall be completed and all securities shall be in place, prior to the disbursement of the facilities. General documentation as required for different kinds of advance is enumerated below. There may be requirement of specific Banking or legal documents to secure a credit according to sanction terms and conditions which should also be obtained in addition to the following:

A. Loan

- ⌘ **D.P (Documents against payment) Note.**
- ⌘ **Letter of partnership (in case of partnership concerns) or resolution of the Board of Directors (In case of Limited Companies).**
- ⌘ **Letter of arrangement.**
- ⌘ **Letter of disbursement.**
- ⌘ **Letter of Pledge (in case of pledge of goods).**
- ⌘ **Letter of hypothecation (in case of hypothecation).**
- ⌘ **Trust Receipts (in case of LTR).**
- ⌘ **Letter of Lien for packing credit (in case of Packing Credit).**

- ⌘ Letter of Lien (in case of advance against FDR).
- ⌘ Letter of Lien and transfer authority (in case of advance against PSP, BSP etc.).
- ⌘ Legal documents for mortgage of property (as drafted by Legal Adviser).
- ⌘ Copies of Sanction letter mentioning details of terms & conditions duly **acknowledge by the borrower.**

B. Overdraft

➤ P. Note.

- Letter of partnership (in case of partnership concerns) or Resolution of **the Board of Directors (in case of Limited Company).**
- Letter of arrangement.
- **Letter of continuity.**
- **Letter of Lien (in case of Advance against FDR).**
- Letter of Lien and ownership/share transfer from (in case of advance **against shares).**
- Letter of Lien and transfer authority (in case of advance against **PSP,BSP etc.).**
- Legal documents for mortgage of property (as drafted by Legal **Adviser).**

C. Cash Draft

⊕ D.P (Document against payment) Note.

- ⊕ Letter of partnership (in case of partnership concerns) or Resolution of **the Board of Directors (in case of Limited Companies).**
- ⊕ Letter of arrangement.
- ⊕ **Letter of continuity.**
- ⊕ Letter of Hypothecation in case of Cash Credit (Hypo.).

- ⊕ Letter of Pledge/Agreement of Pledge in case of Cash Credit (Pledge).
- ⊕ Legal documents for mortgage of property (as drafted by Legal Adviser).

D. Bills Purchased

⊕ P. Note.

- ⊕ Letter of partnership (in case of partnership concerns) or Resolution of the Board of Directors (in case of Limited Company).
- ⊕ Letter of arrangement.
- ⊕ Letter of Hypothecation of bill.
- ⊕ Letter of Acceptance.

All required documents, as enumerated above, should be obtained before any loan is disbursed. Disbursement of any credit facility requires approval of the authorized official of the branch that should ensure, before exercising such authority, that all the required documentation has been completed.

Valuation of Securities

(A) Valuation of goods

LIM: LIM facility shall be allowed, as post-import finance against imported goods under L/C. LIM facility should not exceed invoice value net of L/C margin unless the Bank agrees to finance duties VAT. However, where market price of the goods is lower than landed cost necessary arrangement should be made with the customer to obtain additional deposit. Head Office should approve the price at which LIM goods to be released to customer or it may be at market price or landed cost whichever is higher.

Cash Credit (Pledge)

Valuation of the goods to be pledged to Bank against Cash Credit (Pledge)

limit shall in no cases exceed:

- I. The landed cost or market prices whichever is lower in case of imported goods.
- II. The ex-mill/factory price or market price whichever is lower in case of domestically manufactured commodities as evidenced by invoice.
- III. The wholesale price/competitive market prices duly verified by the Branch and approved by Head Office.

(B) Valuation of Collateral Security

In case of taking mortgage of land and Building, as collateral security to secure Bank's Advances the following instructions should be meticulously followed by the Branches:

- i. The property should be physically inspected and verified jointly by two Bank' Officers, one of who should be the Branch Manager or the Second Officer. A valuation certificate mentioning market value and forced sale value should be prepared in the designated form supplied to the Branches and to the jointly signed by the above mentioned two inspecting officers Bank. The forced sale value of the collateral security will have to be 1.5 times higher than the facility/facilities allowed unless specially waived by the approved authority giving full justification.
- ii. "A site plan" and "Map" along with 3R size distinct photographs of the mortgaged property covering full exposure from 3 angles mentioning detailed particulars on the back of the photographs duly authenticated by the authorized officer(s) to be obtained by the Branches.
- iii. It should be ensure that the collateral security is in the physical possession of the mortgagor(s) and the mortgagor(s) /owner(s) has/have valid title over it.
- iv. A certificate from the Bank's Lawyer to be obtained that the mortgage formality has been properly created.

Credit Administration

The principle elements of bank credit administration are as follows:

- A. Credit approval.
- B. Credit files maintenance.
- C. Facility evidence maintenance.
- D. Credit monitoring and review.

Credit file Maintenance

The Credit file on each facility shall contain all information necessary to **facilitate ready monitoring of that facility**. It should contain a through history of the customer relationship to:

- ✓ Help Credit Officers track any problems.
- ✓ Assist a newly assigned Credit Officer in understanding the customer and
- ✓ Make the lending process transparent.

The maintenance of Credit files shall be disciplined to force the lending officer to obtain all relevant documents and encourages him to consider all **relevant information when analyzing customer risk**. Complete credit files help prevent loan losses resulting from imperfect security documentation.

Primary item in credit files will include:

Section (A)

Credit application/Credit approval notes/analysis

The analysis should contain information about the borrower, credit

purpose, credit repayment sources, details of collateral security with valuation and guarantees. It should also contain an assessment of the competence and quality of the environment of the borrower's the general economic and competitive environment of the borrower's industry and any other pertinent factors, which may affect the borrower's ability to repay the facility.

Section (B)

Evidence of the Credit approval and data approval was granted together with any comments, if appropriate. Copy of sanction letter & Loan agreement. A checklist along with copies of all Legal & Banking documents obtained / to be obtained.

Section (C)

Details and 6 monthly-updated information of all related facilities to be same customer group (Group liability information).

Section (D)

All supporting data such as financial statements and analysis thereof, reference, credit investigation results, CIB & other Bank reports and notes of all discussions with the borrower and other relevant parties with paper chipping.

Section (E)

Correspondences call report, site visit reports, stock report etc. Each credit file be maintained in a secured location and access restricted to authorized personnel. Copies of the information may be kept where regular access is required.

Facility Evidence Maintenance (Charge Documents):

- A. All legal and banking documentation and register of security shall be maintained, at the Branch, separately from the Credit file in a location of utmost security. Such documentation may include:**
- ❖ **All charge documents as prescribed by the Bank & local laws, for the relevant credit facility.**
 - ❖ **Singed credit agreement.**
 - ❖ **Singed guarantees or other evidence of credit security or collateral agreement.**
 - ❖ **Where collateral is taken the original documents of title that reports on the collateral concerning its existence, location and value should be held in the secured location.**
- B. All legal & Banking documentation i.e. charge documents shall be kept in fire proof safe under dual custody of Branch Manger or his designate alternate and another officer. A register of charge /security documents shall be maintained under the supervision of Branch Manger.**
- C. A checklist of charge documents should be maintained in Credit file under Section-"B"**

Credit Monitoring and Review:

1. Responsibility

It is the responsibility of the Manager to monitor the overall profile and risk aspect of the credit portfolio in accordance with the criteria set down in the Bank Credit portfolio. Such monitoring shall be evidenced from the comments of the Manger in monthly call/visit and be kept in the credit file with copy to Head Office.

This review shall be formally performed at intervals prescribed by Head Office but it is the responsibility of the Manager to ensure at all times that the Credit portfolio meets the standard set forth by the bank.

Periodic review and follow-up should, inter alia, aim at ensuring

- **That terms of approval have been adhered to;**
- **That conduct (turnover all regulatory of repayment) of the borrowing accounts during the period under review has been satisfactory or as expected;**
- **That the continuing value of collateral is adequate;**
- **That there are no adverse trends in market ,economic and political conditions which may endanger the reliability of the facility;**
- **That the borrower's business is being satisfactory conducted ,as reflected through a review and analysis of their financial and operating statements and detailed information such as quality of the inventory, aging of receivable, trend in sales and profitability, liquidity and cash flow situation, maintaining various ratios, particularly those stipulated by the Bank at the time the facility was granted ,etc;**
- **That the business reciprocity offered and received is commensurate with the facilities allowed;**
- **That earning from the account are cost effective (i.e. adequate to met direct cost of funds and leave sufficient margin for adequate risk reward, overheads and profits).**

All extensions of Credit are therefore to be reviewed and graded at intervals prescribed by Head Office. The purpose of this procedure is to monitor lending performance and to identify potential delinquent credits.

This basis of review classification is risk of the transaction repayment record, conduct of the account, financial capacity and record of the borrower, collateral conditions, supporting information and documentation and the degree of conformity to Bank policies.

The responsibility for review and classification of credit facilities starts at Branch level with the Branch Manager and Second Officer and/or Credit officer and finally with Head Office Credit Division. Regardless of any formalized times for review or required reporting of facilities extended, any circumstance may cause a facility to be reviewed and formally classified by Branch Manager.

2. Assessment of group exposure

If facilities to any one-customer group are booked in number of locations, an officer designated by Head Office shall be responsible for the management of the Bank's global exposure to that customer group. Any development in the customer's circumstances which may affect the management of the facility and in particular the credit rating assigned to the customer, shall be documented and advised by the designated officer to the concerned branch & to Head Office, Credit Division.

To ascertain repaying ability of each customer a formal assessment shall be carried out on a regular basis where a facility is secured, the advance should be based on the current value of the underlying assets. The frequency of these assessments will depend on the quality of the facility, which is based on the classification ratings set out below:

A. Sub-Standard advances

This classification contains accounts where irregularities have occurred but where such irregularities are considered to be either 'technicalities' or temporary in nature. The main criteria for a sub-standard advance are that despite these 'technical' or temporary irregularities no loss is expected to arise. These accounts will require close supervision by management to ensure that the situation does not deteriorate further.

Provisions @ 15% of the base is required for debt in this classification where base is outstanding balance less interest kept in Interest Suspense Account Less the value of eligible securities.

B. Doubtful Debt :

This classification contains debts where doubt exists over the full recoverability of the principle and/or interest. Although a loss is anticipated and possible at this state to quantify the exact extent of that loss management is required to pursue such debts with the utmost resolution to either avoid or minimize the Bank's losses. A provision @ 15% of the base is required of debts in this classification.

C. Bad Debts :

These facilities are considered to be worthless even after all security has been exhausted and shall be provided for @ 100 % of the base.

Note:

Until further instruction(s) in making classification rating the bank should , however , be guided by Bangladesh Bank's Instructions.

D. Special Mention

In addition to the above classification rating there should be another category which is not classified but where special attention is necessary to keep the account out of classification. This category will be known as Special Mention.

Facilities requiring special monitoring are to be flagged or put on a watch list. Whilst this is not a debt classification the Bank feels it would be prudent to monitor them more closely than other facilities. No provision is necessary for this category.

3. Identification of delinquent facilities :

A facility can be identified as potentially being 'Delinquent' as above by **any of the following persons:**

- Second Officer/Credit Officer at a Branch.
- **Branch Manager.**
- Head Office, Monitoring & Inspection Division.
- **Head Office Credit Division.**

In case any officer in a lending or non-lending function gets information on a **Borrower which affects the quality of a credit he must write a memo** recording the information addressed to the Branch Manager with a copy to **Head Office Credit Division.**

Whenever a facility is identified as 'Delinquent' recommendation is to be **sent to head Office with full justification for classification of the facility** in case of classification as Substandard, Doubtful or loss.

It is the responsibility of the Branch Manager/Second Officer/Credit Officer to timely identify and to try to take necessary steps to avoid classification of any facility.

Once classified, the Branch Manager must work with the Credit Officer to **develop an action plan for restoring the facility to acceptable to credit** standards and to lessen the chances of a worsening condition leading to a **loss.**

4. Any credit facility where any one or more of the following features is present should be classified:

- ✓ **Past due interest or other receivable payment for 6 months or more or as prescribed by Bangladesh Bank.**
- ✓ **Past due principal repayment for 6 months or as prescribed by Bangladesh Bank.**
- ✓ **Significant decrease in the value of collateral/securities.**
- ✓ **Weakening in bank's position as a creditor due to any reason whatsoever.**
- ✓ **Significant change in the environment leading to a weakening of the credit.**
- ✓ **Division of funds to uses other than what the facility was approved for.**
- ✓ **Incorrect information supplied by the Borrower, which affects his credit standing.**
- ✓ **Bankruptcy of the Borrower.**
- ✓ **Unfavorable Bank/Trade reports (from reliable sources) of the Borrower.**
- ✓ **Any information, which forebodes a future problem or affects the borrowers credit worthiness.**

The above list is by no means exhaustive. Any inkling of trouble along the line must be reported appropriated and be followed up.

In addition to the Branch Manager, The Second Officer and Credit Officer at the Branch should as a matter of practice, be production of other required information/documentation or action during the life of a facility. They should alter the Branch Manager of any deficiency/omission & if not acted upon within a reasonable period, should report the deficiency to Head Office Credit Division. Obviously, such situation would preclude further disbursement of facilities.

If any account is classified as per Bangladesh Bank's Instruction the account will be put on an accrual basis i.e. Interest will be debited to

the customer account but should not be taken to income account but credited to Interest suspense account.

It should however, be noted that for classification as substandard, Doubtful & Bad, the guidelines of Bangladesh Bank must be strictly followed. Accounts with deficiencies mentioned above but do not fall in any classification group as per Bangladesh Bank's instruction should be classified as "SPECIAL MENTION".

5. Monitoring of Delinquent Accounts

As soon as an account is classified, delinquent (in any group) a detailed report will be sent to Head Office Credit Division by the Branch Manager. Thereafter a monthly outstanding report on all delinquent facilities is to be sent to Head Office Credit Division jointly signed by Branch Manager with the second Officer/Credit Officer. The monthly, outstanding statement should be accompanied by a status report and future action plan to upgrade the facility to satisfactory status from the Branch Manager.

In addition periodic return as required by Bangladesh Bank (CL statement) should also submit.

6. Customer Net worth:

Net worth shall mean; the aggregate of paid-up capital, unencumbered reserves and inappropriate profits, subordinated Directors Loans.

(A) Secured:

Secured advances will include pledge, charges or mortgages on tangible readily reliable unencumbered assets, the sale proceeds of which will repay the customer's obligations and acceptable Bank guarantees or /and Letter of credit and/or assignment of receivables from government or

government controlled bodies offered as security for customer's obligations.

(B) Collateral:

Collateral security is an additional security over and above the assets on which the loan is charged. Where an advance is secured by a collateral security, which is addition to the primary security held by the Bank, the advance could be described to be "collateral". An advance allowed, for example, against hypothecation of stock-in-trade as the primary security may be collaterally secured by mortgage of property. Collateral security also refers to security lodged by a third party other than the customer himself.

(C) Unsecured/ clean:

Unsecured/clean advances will include lending made on the strength of the individual borrower's personal integrity and financial standing or the corporate customer's balance sheet. The Bank in this case hold no collateral and drawings are allowed only against a demand promissory note.

(D) Processing for Loan Application.

Following Papers/Documents are to be submitted by the Branch Manager to Head Office (Credit Division):

- i. Request for Credit limit of customers.
- ii. Project Profile /Profile of Business.
- iii. Copy of Trade license duly attested.
- iv. Copy of TIN Certificate.
- v. Certificate copy of Memorandum and Articles of Association, Certificate of Incorporation, Certificate of Commencement of

Business, Resolution of Board of Director, Partnership Deed (Where applicable).

- vi. **Personal net worth statement of the owner/Director/Partner/Proprietor in Bank's Format.**
- vii. **Valuation Certificate in Bank's Format along with photograph of collateral security with detail particulars on the back duly authentication by the Branch Manager.**
- viii. **3 years Balance sheet and profile and loss AIC.**
- ix. **CIB Inquiry form duly filled in (For proposal of the Tk.10 Lac and above).**
- x. **LRA (Lending Risk Analysis) for Credit facilities of Tk.1.00 crore and above.**
- xi. **Inspection /visit Report of Factory/Establishment/Business premises of the customer.**
- xii. **Stock report from other Banks.**
- xiii. **Indent/ Performa invoice/quotation (where application).**
- xiv. **Price verification report (where applicable).**
- xv. **Statement of A/C (CD/SB/CC) for the last 12 months. In case the customers maintain account with other Bank, statement of Account for the last 12 months of the concerned Bank should be furnished.**
- xvi. **Increase of renewed/enhancement of credit facility Debit Turnover, Credit Turnover, higher drawing, lowest drawing, total income earned, detailed position of existing liabilities of the customer i.e. Date of sanction ,Date of expiry, present outstanding, Remarks, if any.**
- xvii. **Declaration of the customer of the name of sister/allied concerns and liabilities with other Banks, it allies, and an undertaking to the effect that they have no liability beyond those declaration.**
- xviii. **In case of L/C proposal ,detailed performance of L/C during the last year i.e. number and date of L/C opened, commodity, L/C value , Date of creation of PAD, date of retirement, mode of retirement etc.**
- xix. **In case of BTB L/C proposal:**

- **Detailed list of machinery, production capacity, working capital (BTB L/C) assessment existing export L/C in hand mentioning date of shipment, detailed position of outstanding BTB L/C /Accepted bills, progress of production and expected date of shipment, statement of outstanding FDBP/LDBP, quota position, inspection report ,copy of valid Bonded ware house license, customs clearance or dispute, if any.**
- **Whether the applicant is Shareholder/Director of EXIM Bank Ltd. As per definition of Banking Companies Act.**
- **Financial analysis to be prepared by the Branch Manager based on the financial performance of the company & should show trends in sales/profitability, liquidity, leverage etc. It should also contain an assessment of the competence and quality of the business management, the general economic and competitive environment of the borrowers industry and any other pertinent factors, which is relevant for credit division.**

Part C

FOREIGN EXCHANGE

4.3 Foreign Exchange

Foreign exchange department of the Export Import Bank of Bangladesh Limited is divided into two parts, the first one is the export department and the second part is the import department.

❖ Export:

When any organization wants to export any product to other country than that particular organization usually opens an export L/C from this department.

4.3.1 Foreign Exchange operation (Export financing)

Exporter means any person lawfully exporting goods from Bangladesh to any other country. After shipment the exporter has to tender the documents to the Bank within the stipulated period for the negotiation of the documents are drawn under a letter of Credit. If require, finance the duty drawback and cash compensatory support claims of the exporter.

Export credit means any credit provided by an institution to an exporter in the form of packing credit or post-shipment credit.

Packing credit means any loan or advance granted or any other credit provided by an institution to an exporter for financing the purchase, processing or packing of goods on the basis of L/C.

Post-shipment credit means any loan or advance granted or any other credit provided by an institution to an exporter of goods from Bangladesh from the date of realization of the credit after shipment of the goods to the date of extending the credit after shipment of the goods to the date of realization of the export proceeds and includes any loan or advance

department.

4.3.2 Foreign Exchange operation (Import financing)

Import of Goods by Letter of Credit:

A letter of credit is a conditional Bank undertaking of Payment. In other words Letter of Credit is a Letter form the importer Banker to the exporter that the bills if drawn as per terms and conditions are complied with will be honored on presentation.

Following papers are to be submitted by the importer before opening of the L/C:

- 1) Trade license.
- 2) **Import Registration Certificate.**
- 3) Income Tax Declaration with TIN.
- 4) **Membership Certificate.**
- 5) Memorandum of Articles (in case of Ltd. Co.)
- 6) **Registered Deed (in case of partnership firm).**
- 7) Resolution.
- 8) **Photographs.**
- 9) VAT Registration.

Bank will supply the following papers/documents before opening of the L/C:

- 1) L/C application.
- 2) LCAF
- 3) IMP

- 4) TM Form
- 5) Charge Documents
- 6) Guarantee Form.

The above papers/documents must be completed dully filled and signed by the party and to be verified the signature.

4.3.3 Letter of Credit (L/C):

L/C is the most important thing for doing any sort of foreign business. There is no guaranteed relation between importer and exporter. As a result they use a media to secure their goods and currency. So, exporter and importers use their respective banks as a media and L/C is a legal obligation between the exporter and importer. The importer can open a L/C of 100% or take the merger of 25%, 15%. The merger actually depends on the relationship between the customer and bank. To open a L/C the importers submit the invoice/indenture. It is necessary to fill up following forms:

- a) LCF form.
- b) Application and agreement for confirmed irrevocable without resources to drawer's letter of credit.
- c) Letter of credit authorization form.
- d) Form of IMP (importer) and EXP (exporter).

Among the above forms the LCF forms are sent to Bangladesh Bank for authorization of fund. When Bangladesh Bank registers the form then the Bank prepares two copies of the form one of which is sent to exporter and another to the advising Bank. This advising bank is the bank where the importer maintains his account. This advising bank can be the negotiating bank and reimbursing bank. After the completion of shipment the

negotiating bank helps the exporter to get the clearance easily.

Therefore the bank negotiates with the advisory bank on behalf of the exporter and makes payments to the exporter by collecting the money from the advisory bank.

4.3.4 Classification of L/C

- 1.Revocable L/C
- 2.Irrevocable L/C
- 3.Confirmed L/C
- 4.Transferred L/C
- 5.Divisible L/C
- 6.Revolving L/C
- 7.Restricted L/C
- 8.Red Clause L/C
- 9.Green Clause L/C
- 10.Back to Back L/C
11. With Recourse
12. Without Recourse

4.3.5 Parties to a Letter of credit:

As per terms and conditions of the L/C the seller is required to be routed through some intermediary banks in order to get his claim. So we see that there are a number of parties involved in a L/C. The involved parties to a L/C are as under:-

- i. Importer/ Buyer
- ii. Exporter/ Seller /Beneficiary
- iii. Opening / Issuing Bank
- iv. Advising / Notifying Bank
- v. Confirming bank (for Add confirming L/C)
- vi. Exporters bank i.e. negotiating Bank.

vii. Reimbursing Bank or Paying Bank.

In the following some common LCs which the Export Import Bank of Bangladesh handled are discussed in very short.

Back to Back L/C:

Back to Back L/C is a type of import L/C either in inland or in abroad, which open against lien on valid export L/C. In our country in export of garments, this method of finance is widely used and is very well known to the manufacturers of garments. Bangladeshi exporter received an irrevocable L/C for supply of readymade shirts, from an American Bank. For manufacture of the ordered shirts the exporter does not have the required raw materials. To execute the order he is to import raw materials from Korea. Then the Bangladeshi exporter will have to open an import L/C favoring Korean supplier for import of fabrics and accessories. The L/C is opened by the Bangladeshi Bank lien against the American Banks L/C under bonded warehouse system.

Restricted L/C:

When the negotiation is restricted to the L/C advising bank only against adding confirmation to the credit. This type of L/C is called restricted L/C.

4.3.6 Procedure for opening L/C

An importer desirous to have an import L/C limit must have applied to the designated bank in prescribed forms for sanction of margin, L/C limit etc.

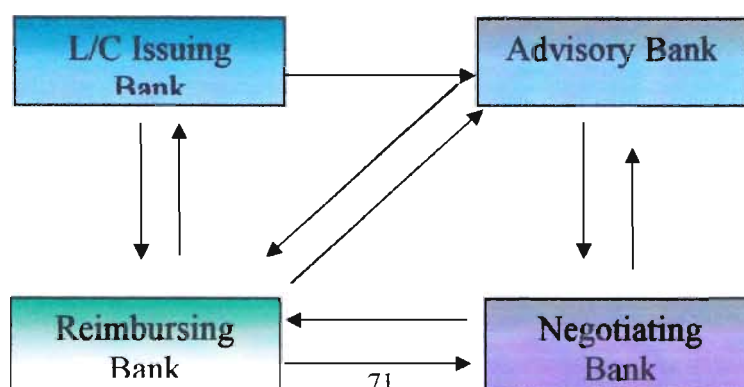


Fig 4.1: L/C opening Process

L/C application:

For opening L/C the client is to submit to the bank an application in the printed format of the designated bank. This is called L/C application form, which is also an agreement between the importer and the bank. The form is to be stamped under stamp Act. In any bank of Bangladesh, the importer must submit the LCA & IMP and Indent or contract/purchase order/ Performa invoice (duly accepted by the importer) along with L/C application.



Chapter 5

5.0 Introduction

The level and intensity of competition in the financial services field have grown as banks and their competitors have expanded service offerings over the Bangladesh. The private banks offering business and consumer credit, savings, ATMs, saving schemes and different financial plans and financial counseling faces direct competition for all of these services today from other banks, credit unions, securities firms, finance companies. These competitive pressure have acted as a spur to develop still more services for the future.

Deregulation, in combination with increased competition, dramatically increased the real average cost of deposits the principal source of funds for the most of the private commercial banks. Bankers are now forced to pay competitive market demand interest rates for the bulk of the deposit fund. At the same time government regulators have demanded that bank use more of their owners' capital – a highly expensive source of fund – to support banks' assets.

Under these circumstances bankers are forced to find out new source of fund. In this regard saving schemes shows a new don for the private commercial banks of Bangladesh. This new innovation of the financial experts have encourage newly established private commercial banks to introduce different saving schemes which serve their purpose in accumulating fund and at the same time add to their contribution to the society.

In compliance with the objective of this study, in the following an effort is undertaken to find out why the bankers are interested towards the small savers who are well supported consumer of the saving schemes. The findings of the study will be analyzed here with the help of quantitative analysis.

5.1 Saving schemes distribution in different banks

Different private commercial banks offer different saving schemes. The survey of the authoress covered 20 private commercial banks and found that all of these banks offer savings schemes.

No of saving schemes	Banks
1	0
2	4
3	1
4	5
5	3
6	3
7	2
8	0
9	0
10	2

Table 5.1: no of saving schemes offered by different banks.

Two banks offer highest no of saving schemes i.e. ten saving schemes where as no bank offer one saving scheme. Five banks offer four saving schemes and three banks offer five saving schemes. Another three banks offer six savings schemes. No banks offer eight or nine saving schemes.

The following figure illustrates the distribution saving schemes in different banks and portrays that most of the banks prefer to have their saving schemes within a range of four to six. They neither prefer more than six nor do they prefer having less than four saving schemes in action.

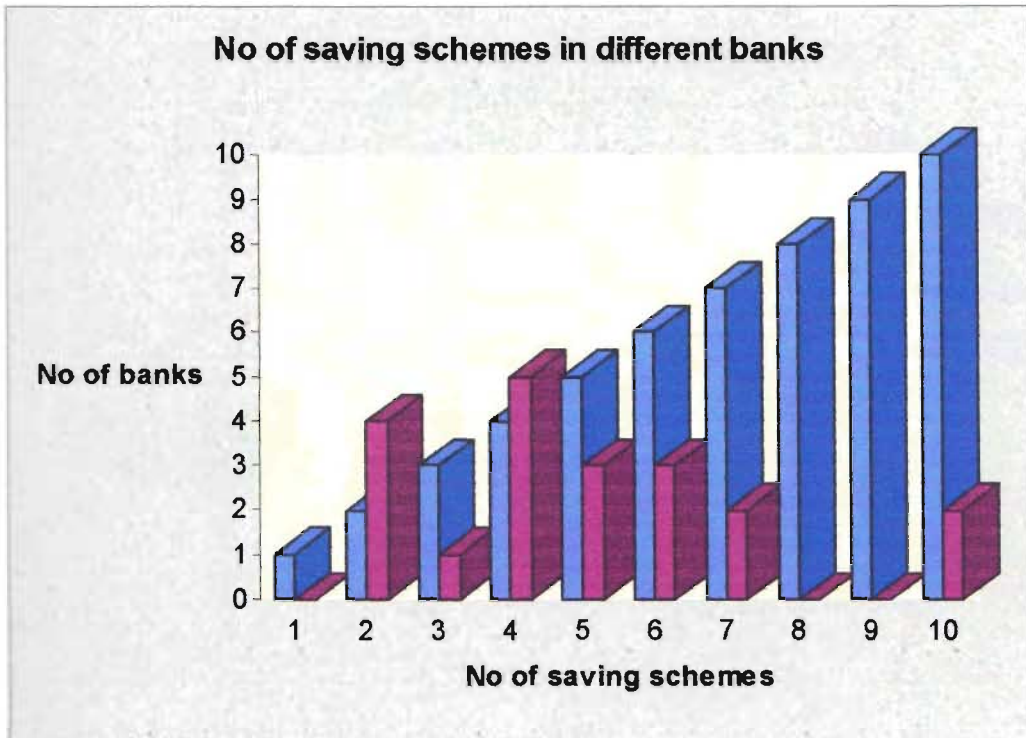


Figure 5.1: No of saving schemes in different banks

5.2 Intention of the bankers for lunching saving schemes

During the survey the authoress asked question to the bankers about their intention towards lunching the saving schemes into the market. The survey found an interesting finding in this regard. The following table and figure show the answer of the bankers in response to the different choices they were given at the time of survey. Most of the bankers [fourteen out of twenty] informed that they lunch such product in to the market to quickly attract customers. Some other bankers [eleven out of twenty including the

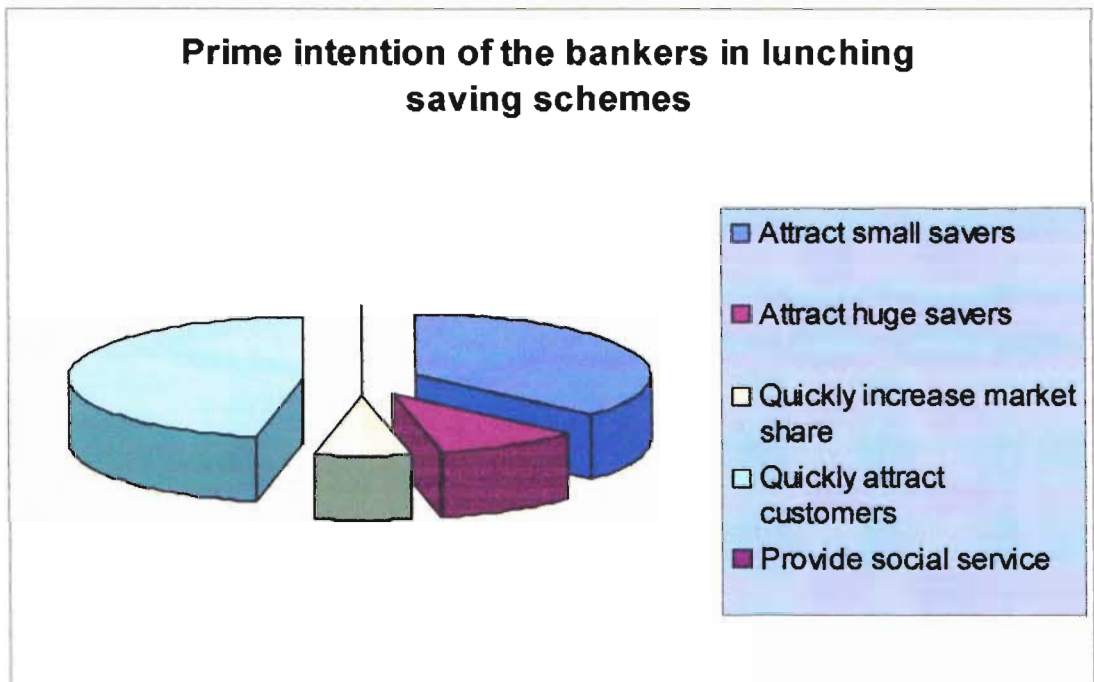


Figure 5.2: Prime intention of the bankers

overlapping portion] informed that they lunch such product to attract small savers. Very small number of bankers which is almost negligible informed about their intention that they lunch such product to attract huge savers and quickly increase market share.

Attract small savers	11
Attract huge savers	3
Quickly increase market share	2
Quickly attract customers	14
Provide social service	0

Table 5.2: Intention of the bankers

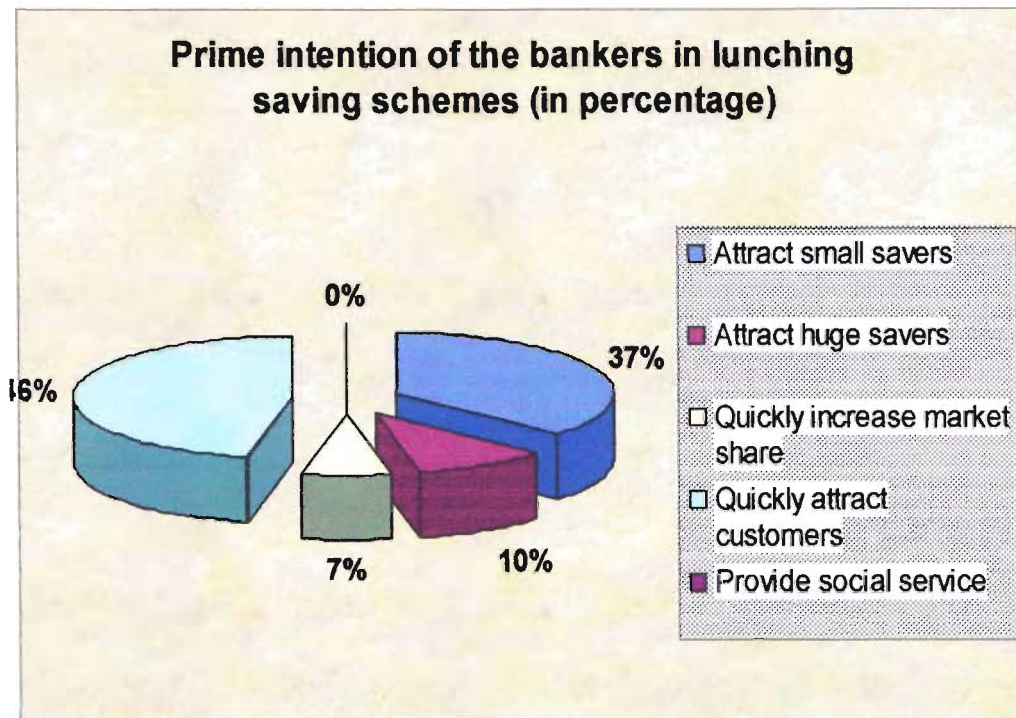


Figure 5.3: Percentages break down of the bankers’ intention

In the above figure breakdown of percentages of the intention of the bankers’ are shown. It is found that 46% bankers informed that they lunch saving schemes to quickly attract customers followed by 37% with an intention to attract small savers. 10% and 7% respectively informed their intention towards attract huge savers and quickly increase market share where as non of the respondents informed about the their intention towards social service.

5.3 Importance of saving schemes as perceived by the bankers.

The survey of the authoress was inclined to know about the importance of saving schemes from bankers’ point of view. The bankers were supplied an importance scale by the authoress during the survey. The survey result is given in the following table and percentage break down is shown in the figure 5.4.

Very important	8
Important	9
Necessary	0
Required	1
Nedded	2
Not much important	0
Not required	0

Table 5.3: Importance of saving schemes as perceived by the bankers

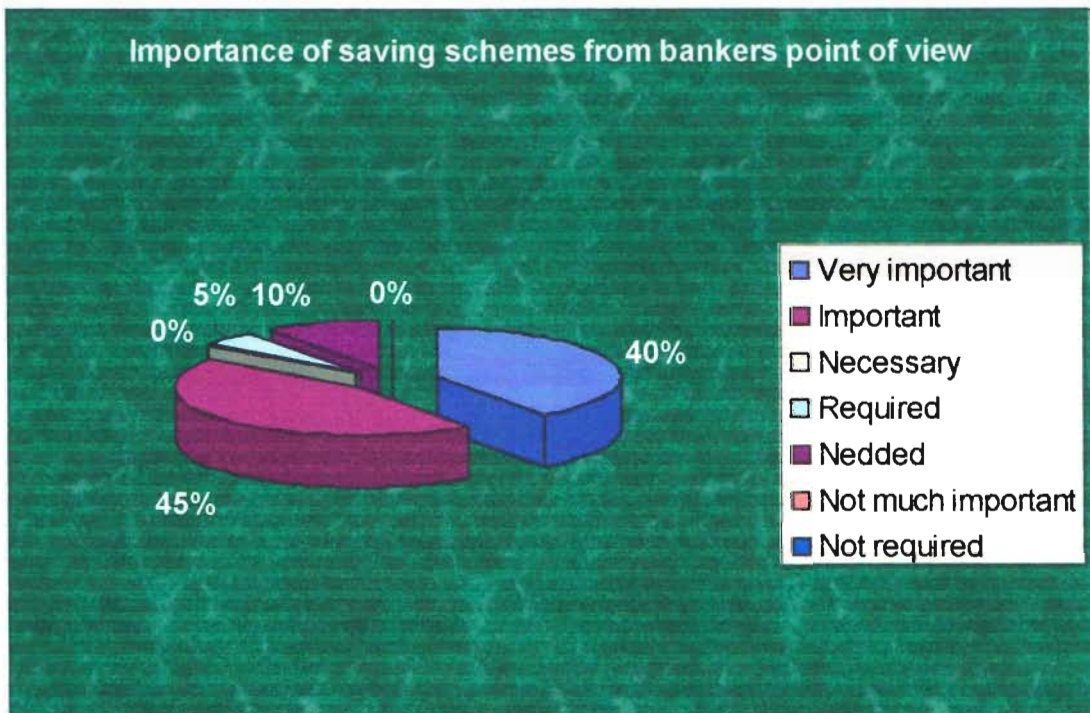


Figure 5.4: Importance of saving schemes as perceived by the bankers.

It is found that the most of the bankers' perception towards the importance of saving schemes remain within a range of very important to important. This signifies that the bankers perceived saving schemes with adequate importance as it deserves.

45% bankers those who were surveyed informed the authoress in their opinion that saving schemes are important enough in accumulating fund. Another 40% informed the authoress that in their opinion that saving schemes are very important enough in accumulating fund. Some 10% respondents informed about requirement of saving schemes. However, none of the respondents denied the importance of saving schemes in accumulating fund.

5.4: Percentage of fund accumulated through saving schemes

Percentage of fund accumulated through saving schemes	No of banks
10% to 20%	15
21% to 50%	4
More than 50%	1

Table 5.4: Percentage of fund accumulated through saving schemes

The above table shows the how many banks accumulate how much percentage of funds by using saving schemes as a source of fund. It is found that out of 20 banks surveyed 15 banks accumulate 10% to 20% of their fund through saving schemes. 4 banks accumulate 21% to 50% of their fund through saving schemes which seems surprising figure. Only one bank informed that they accumulate most of their funds from saving schemes.

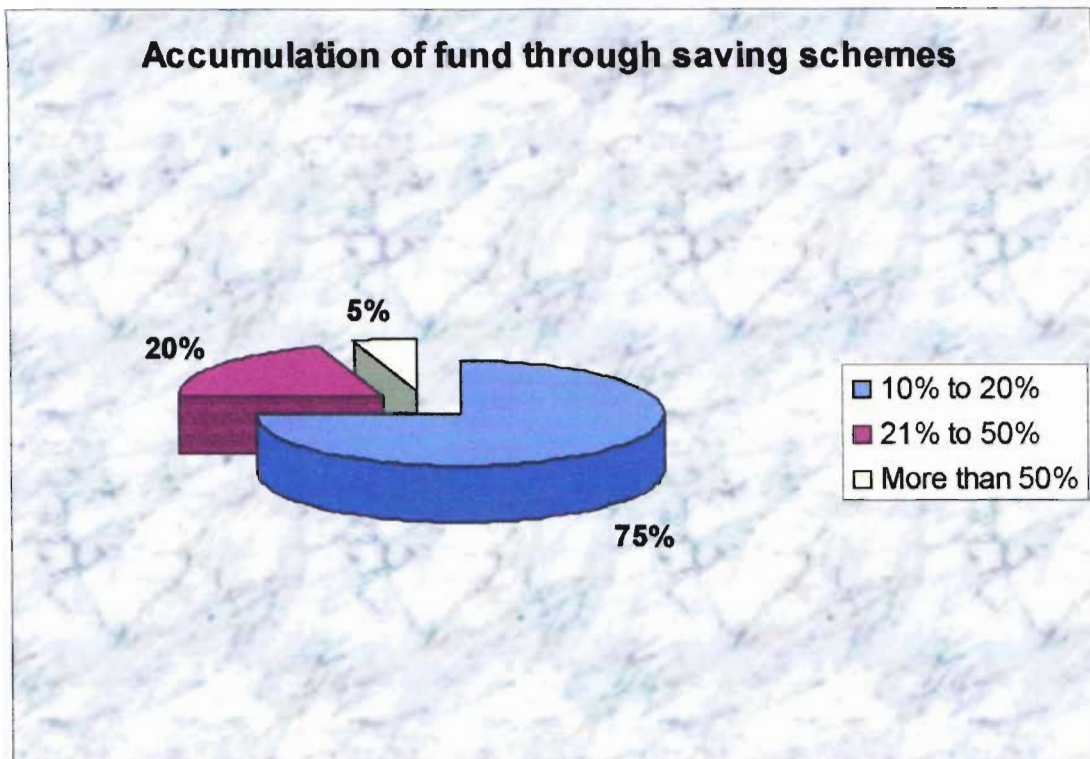


Figure 5.5: Percentage of fund accumulated through saving schemes

The above figure illustrates the percentages breakdown of the bankers in accumulating fund through saving schemes. It is found that 75% bankers informed that they accumulate 10% to 20% of their fund from saving schemes. 20% banks accumulate 21% to 50% of their fund through saving schemes which seems surprising figure where as only 5% bank informed that they accumulate most of their funds from saving schemes.

5.5 Importance of small savers from bankers' point of view

During the survey the authoress of this report asked the bankers about the importance of the small savers. She provided them a proposition i.e. 'small savers are more important for commercial banks' and asked them to rate the proposition following an agreement scale. The survey got the following result.

Strongly agree	10
Agree	9
Neither agree nor disagree	1
Disagree	0
Strongly disagree	0

Table 5.5: Importance of small savers from bankers' point of view

10 out of 20 bankers informed the authoress that the small savers are very important for them. Some other 9 bankers informed that they agree with the proposition. Rest one banker neither agree nor disagree the proposition. In the following figure an attempt is undertaken to show the bankers' stands regarding the proposition.

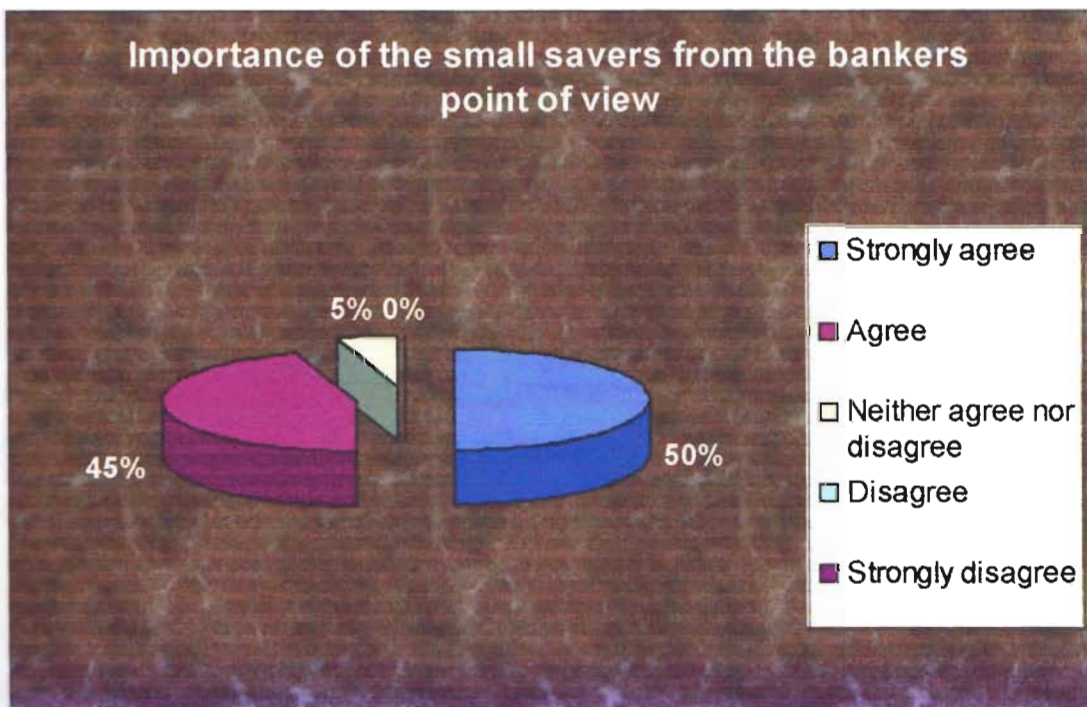


Table 5.6: Importance of small savers from bankers' point of view

The figure shows that 50% bankers strongly agree with the statement where as 45% bankers agree with the statement. Only five percent of the

bankers are still in the dilemma about the importance of the small savers. None of the respondents disagree with the proposition.

5.6 Importance of large savers from bankers' point of view

The survey of the authoress also put emphasis on the large savers. The banker agreement regarding the statement 'huge savers are more important than small savers' got the following result in a given agreement scale.

Strongly agree	8
Agree	3
Neither agree nor disagree	6
Disagree	3
Strongly disagree	0

Table 5.6: Importance of large savers from bankers' point of view

In the above table it is found that 8 bankers out of 20 respondents **strongly agree with the statement**. Another 3 bankers agree with the statement where as 6 bankers remain in the dilemma. 3 bankers disagree with the statement.

However in the following figure an attempt is undertaken to find out the **percentage breakdown of the bankers agreement regarding the statement**. The distribution gives such a picture that portrays in overall situation most of the bankers are still in dilemma regarding the issue. 40% bankers agree the statement followed by 30% those who are in dilemma. 15% bankers agree with the statement where as another 15% disagree with the statement.

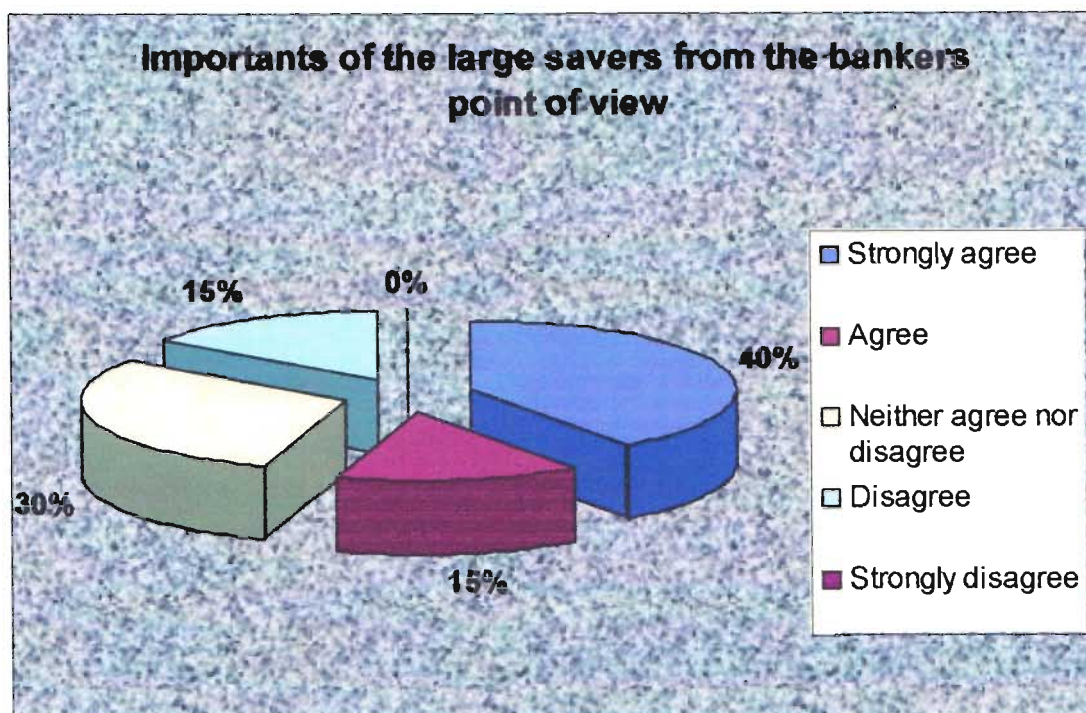


Table 5.7: Importance of large savers from bankers’ point of view

5.7 Willingness of the bankers to lunch new saving schemes

It is described in the earlier part of this chapter that the bankers’ of this country specially those who work for the commercial bank are forced find out the new sources of fund and that ends with the introduction of the saving schemes. However to understand the most recent scenario the authoress put a question in front of the bankers. The following table and figure represent her finding.

Yes 20

No 0

Table 5.8: Willingness of the bankers to lunch new saving schemes

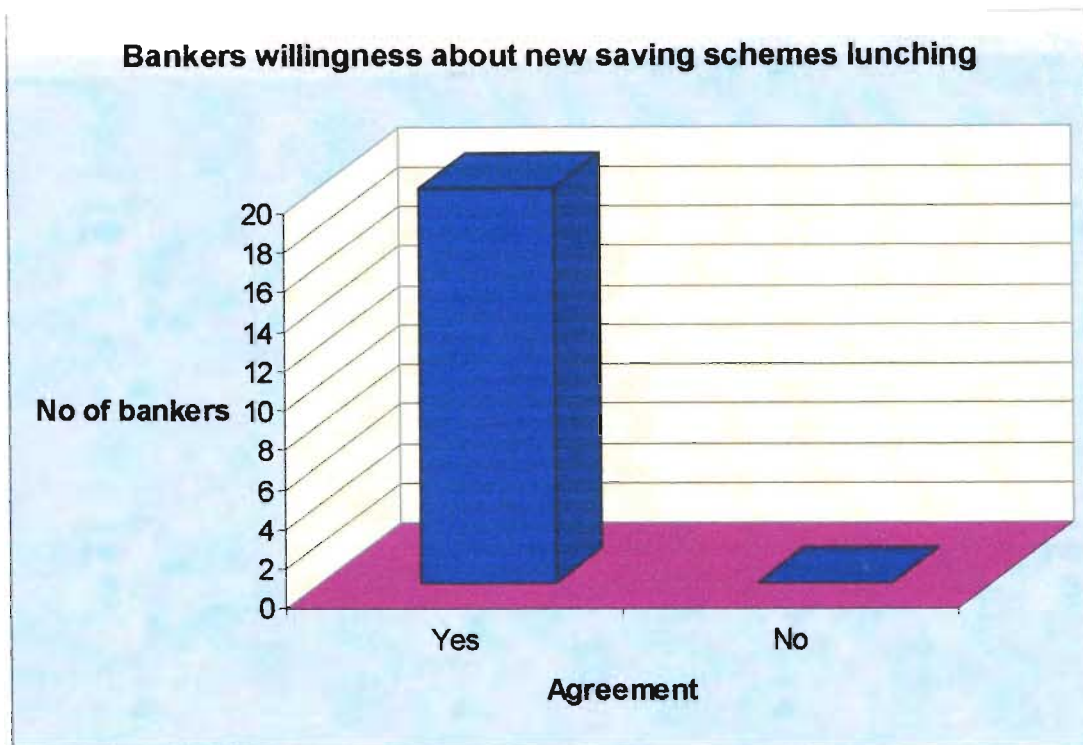


Figure 5.8: Willingness of the bankers to launch new saving schemes

From the above table and graph it is found that all of the bankers those who were surveyed realize the matter and hence they are all willing to launch new schemes in to the market for raising their banks fund.

5.8 Future of the saving schemes from bankers' point of view

It is a burning question now a day in the banking arena that how long these saving schemes will play role in accumulating fund for the private commercial banks. The authoress of this report asked the question to the bankers. The responses of the bankers' are represented in the following table and figure.

Yes 19

No 1

Table 5.9: Future of the saving schemes from bankers' point of view

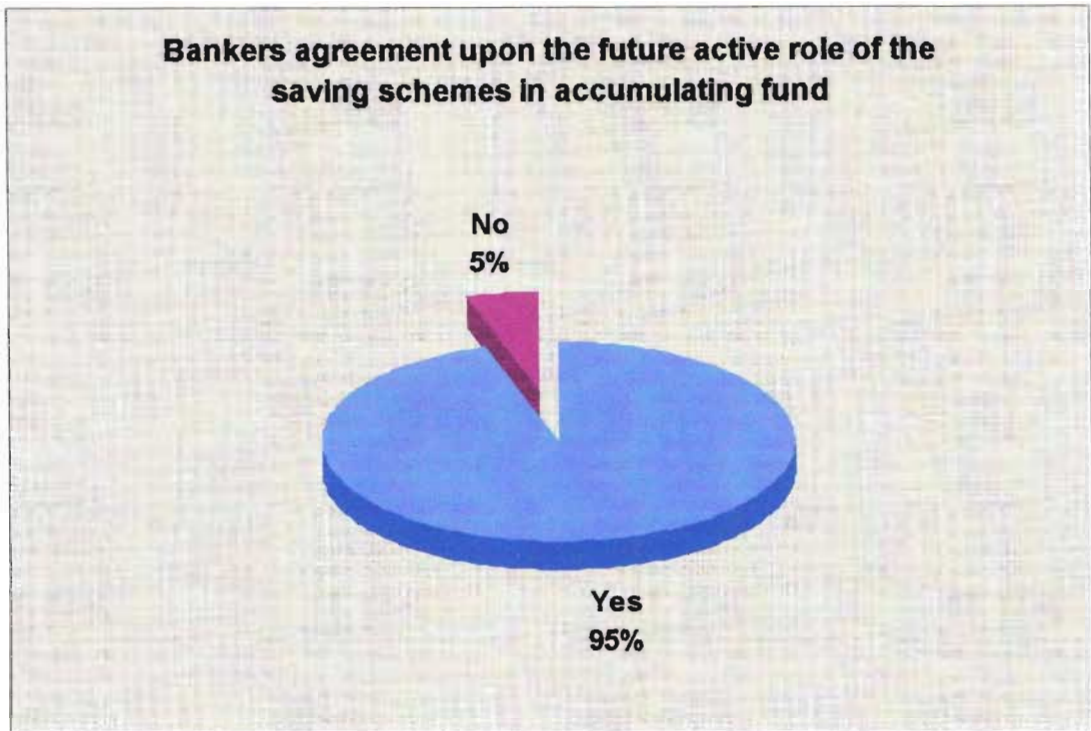


Figure 5.9: Future of the saving schemes from bankers' point of view

Out of 20 bankers those who were surveyed about 95% of them are hopeful about the future of the saving schemes in accumulating fund where as only 5% informed that they are hopeless in these regard.

Chapter 6

6.0 Introduction

The particular types of deposits held by a bank at any moment in time depend, most importantly, on the public's demand for deposit services. A second key factor in banks' fund raising policies, including the service fees charged and interest rates offered on various deposit plans, are advertised and the time and resources devoted to attracting and retaining deposit customers.

In recent years the most readily saleable deposits banks have offered to the public have been different time and savings deposits, saving schemes particularly in Bangladesh. In the United States time and saving deposits represent about four-fifths of the total domestic deposits [The Economist]. Not surprisingly then interest bearing deposits and non transaction deposits [including saving schemes] – both of which have captured the majority share of all bank deposits. In contrast regular demand deposits which generally pay no interest and make up the majority of transaction and non interest bearing deposits have declined significantly to represent only about a smaller portion of total bank deposits in Bangladesh [The Economic Observer].

In the preceding chapter of this report an effort was undertaken to describe the banker's view regarding the essentiality of the saving schemes in this country particularly maintain the existence of the private commercial banks as they are under great pressure because of withdrawal of government funds from most of their accounts.

This chapter will be devoted to understanding and analyzing the author's findings with the help of quantitative analysis regarding the customer's view about the saving schemes offered by the Export Import Bank of Bangladesh Limited. This chapter will also devote to understanding the particular characteristics of the small savers those who already deposit

Chapter 6: Customers Analysis

their money in the saving schemes of the bank. Finally, as stated in compliance with the objective of this report this chapter will attempt to find out the future of the saving schemes of the Export Import Bank of Bangladesh Limited.

6.1 Income group of the saving schemes holders

The authoress of this report attempts to identify the particular income groups those who are the main customer of the saving schemes of the EXIM Bank. Some possible income groups were given to the respondents to choose his or her income group. The following result is obtained.

3000 - 5000	7
5001 - 8000	7
8001 - 11000	5
More than 11000	21

Table 6.1: Income group of the saving schemes holders

It is found that most of the savers belong to more than 11000 taka monthly income group. 21 respondents out of the total 40 replied that their income is more than 11000 taka. 7 respondents informed that they belong to the 5001 – 8000 groups. Another 7 respondents informed that they belong to the 3000 – 5000 groups. Only 5 respondents were found those belong to the 8001 – 11000 income group.



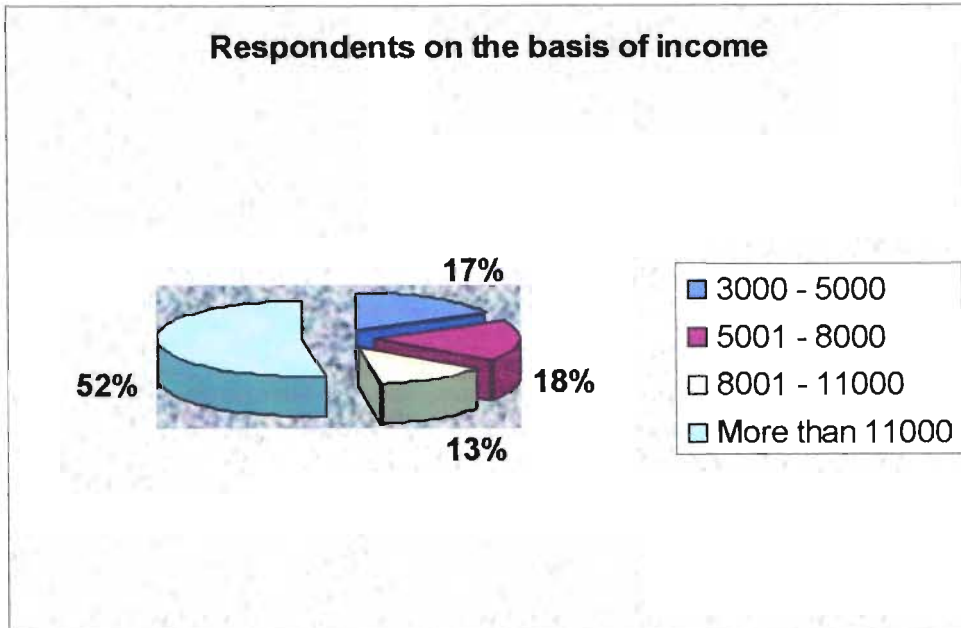


Figure 6.1: Income group of the saving schemes holders

The above figure represents the percentage breakdown of the income group of the saving schemes holders. It is found that about 52% respondents came from above 11000 taka group. 17%, 18%, and 13% came from 3000 – 5000, 5001 – 8000, and 8001 – 11000 group respectively.

On the basis of the above analysis it can be said that most of the saving schemes holder came from the high income group.

6.2 Educational qualification of the scheme holder

S.S.C	6
H.S.C	6
Graduate	12
Masters	16

Table 6.2: Educational qualification of the scheme holder

In the above table the educational qualification of the scheme holder are represented. Out of 40 respondents 16 respondents have Masters Degree,

Chapter 6: Customers Analysis

12 completed their graduation, 6 completed their H.S.C and the rest 6 have completed their S.S.C examination.

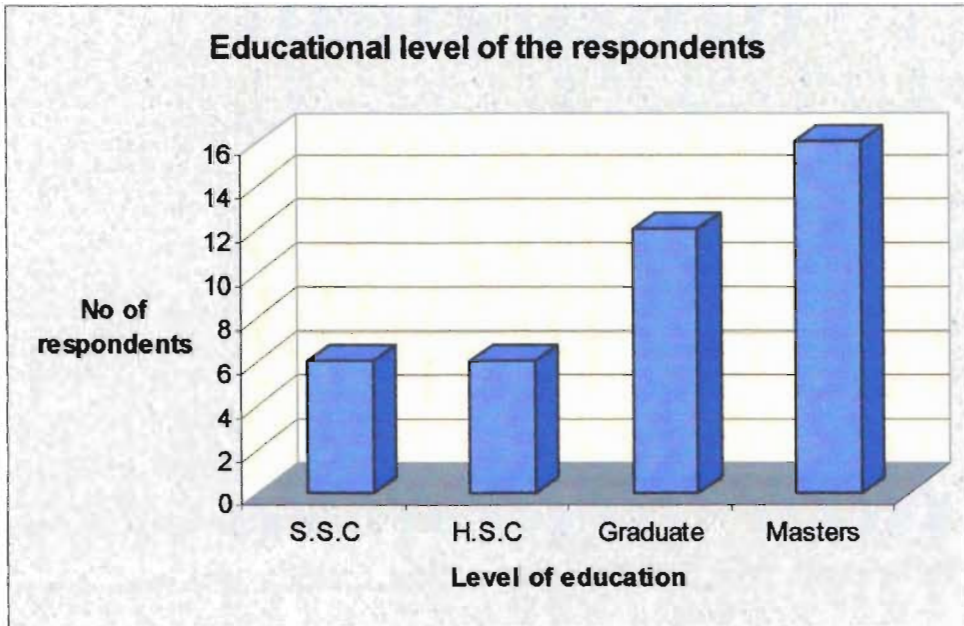


Figure 6.2: Educational qualification of the scheme holder

The above figure portrays the distribution of the educational qualification of the scheme holders. It is found that among the 40 respondents Master Degree holder have got the highest position followed by graduate, H.S.C and S.S.C respectively.

These findings represent that level of education is directly related to the spread of saving schemes. People those who supposed to get the benefit of these schemes most do not get the fruit of it because of their illiteracy.

6.3 Percentage of respondent took the saving schemes

The sampling plan of the authoress was confined among the saving schemes holder of the EXIM Bank. Hence all of the respondents those who

Yes 40

No 0

Table 6.3: Percentage of respondent took the

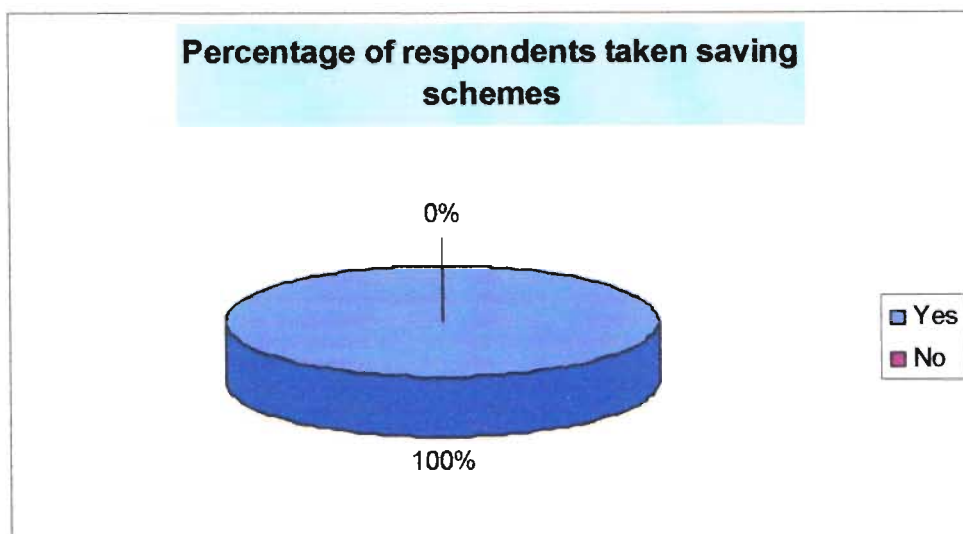


Figure 6.3: Percentage of respondent took the saving schemes surveyed have taken saving schemes of the bank. The above table and figure represent the same.

6.4 Level of investment on saving schemes

How much the saving scheme holders invest their money on the saving schemes, to know the answer of this question was the intention of the authoress. It was anticipated that the range of investment will remain in the range at which the bank fixed the investment on saving schemes. It was also expected that the findings may vary with the range because savers may take more than one scheme. Considering the above reason the respondents were supplied a range and the following result is obtained.

25000 - 49000	12
50000 - 99000	3
100000 - 199000	8
200000 - 490000	5
500000	0
Others	12

Table 6.4: Level of investment on saving schemes

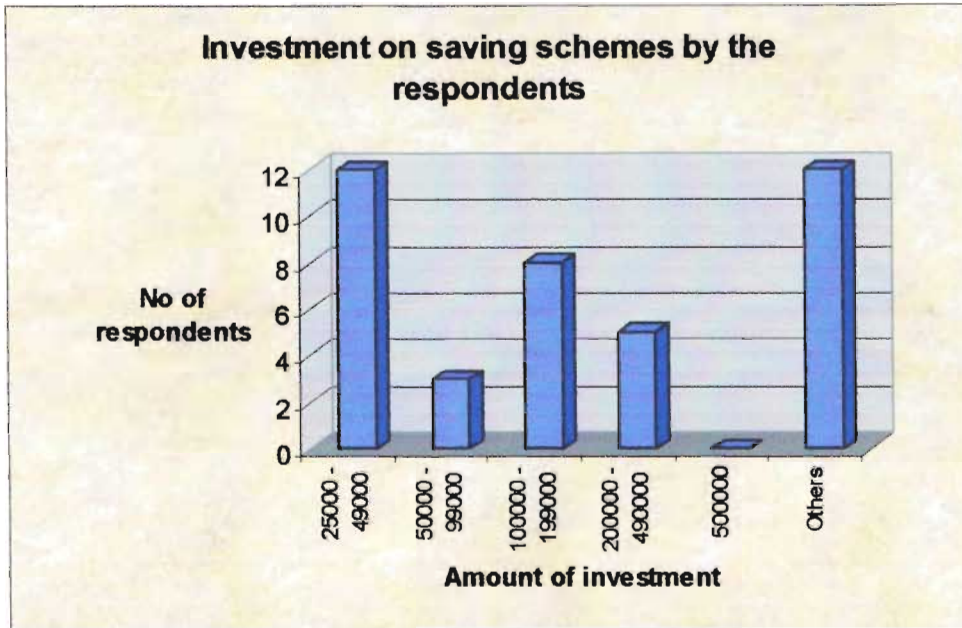


Figure 6.4: Level of investment on saving schemes

It is found that the level of investment is maximum within the range of 25000 – 49000 taka. Some investors invest in the monthly schemes and thus they informed different amount. A significant no of investors were found within the range of 100000 – 199000 taka. They have taken more than one scheme and have already established their faith on the banks saving schemes.

6.5 Information gathering of the respondents

The following table and figure represent the sources of information of the saving schemes holder of the bank.

From bank officers	16
From your well wishers	23
From media	1
From your financial advisers	0

Table 6.5: Information gathering of the respondents

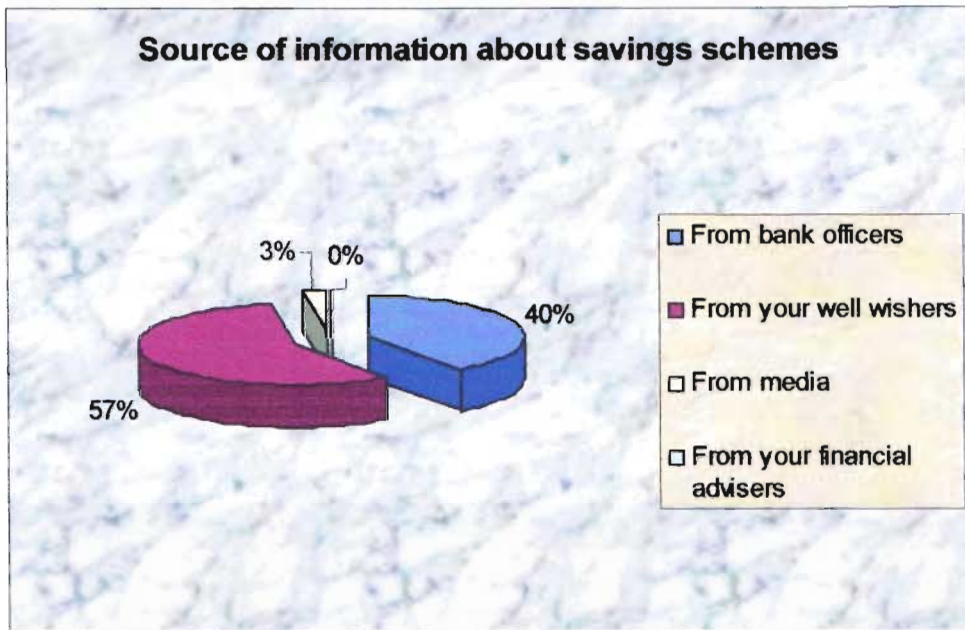


Figure 6.5 Information gathering of the respondents

It is found that most of the respondents [about 57%] come to know about the saving schemes from their well wishers where as the second highest source is the bank officers. Media remain in the third position which is supposed to be in the first position.

6.6 Duration of schemes taken by the respondents

The following table and figure represent the distribution of the duration of schemes taken by the respondents. The information is divided in to two groups. One is less than one year and another is more than one year.

Less than one year	12
More than one year	28

Table 6.6: Duration of schemes taken by the respondents

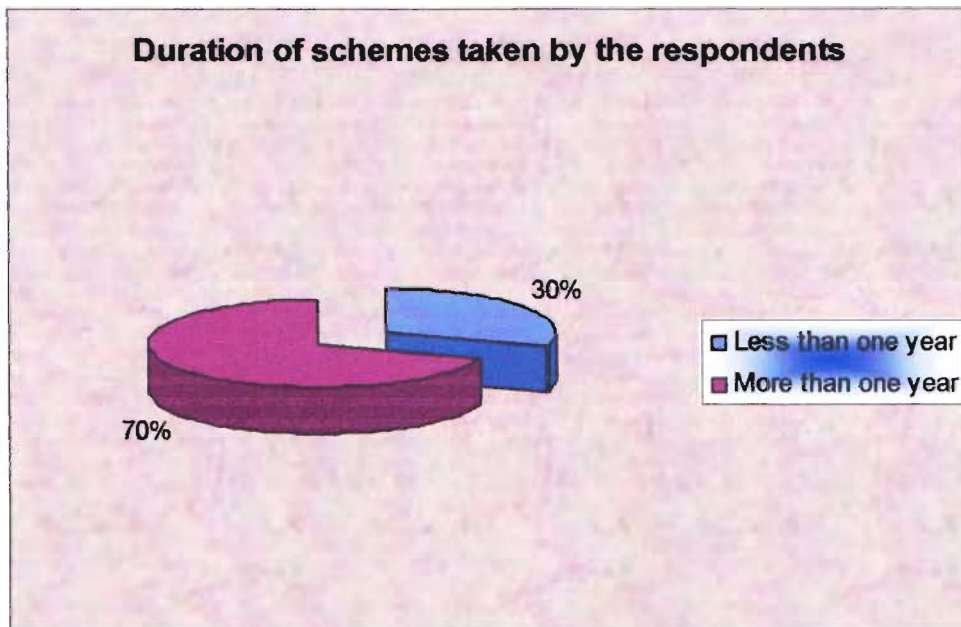


Figure 6.6: Duration of schemes taken by the respondents

It is found that 28 respondents out of the total have taken saving schemes of the bank for more than a year. 12 respondents informed that they took saving schemes for less than one year.

By looking at the above finding it can be said that the saving schemes holder are increasing at a good pace.

6.7 Future plan of the respondents

The following table and figure represent the future plan of the respondents to increase their investment on saving schemes.

Yes	36
No	4

Table 6.7: Future plan of the respondents

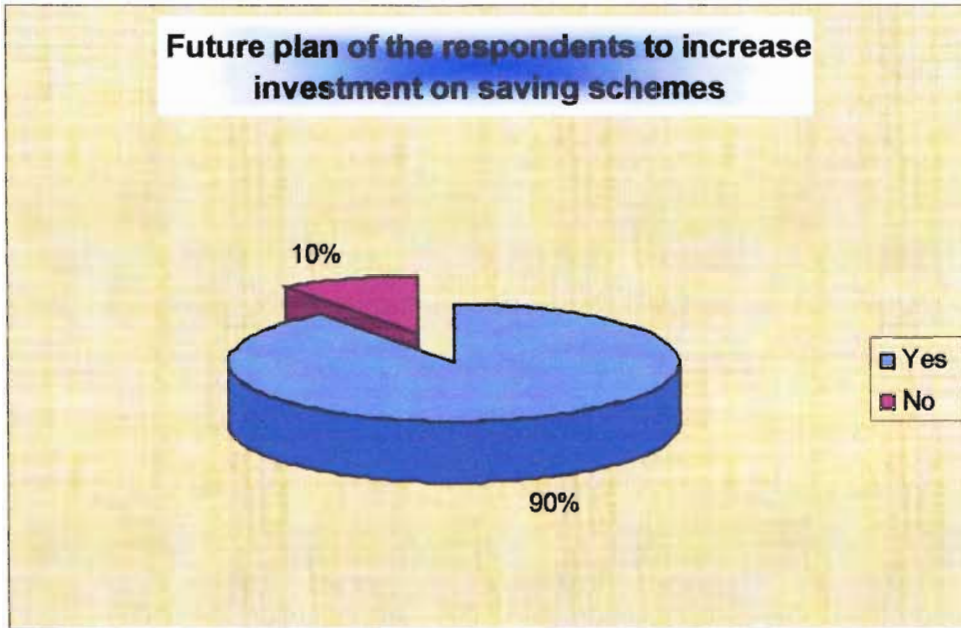


Figure 6.7: Future plan of the respondents

90% respondents out of the total informed the authoress during the survey that they are willing to increase their investment on saving schemes where as only 10% respondents told that they will not increase their investment on saving schemes.

This signifies that in future bank will receive more investment from their existing saving schemes holder and this is a good sign for the bank indeed.

6.8 Rational behind choosing EXIM Bank's schemes

The respondents were asked to inform the reason behind their decision to choose EXIM banks saving schemes. The following result is found.

Good reputation in the banking business	15
As a renowned private commercial bank	3
For higher rate of profit	17
Cordial and friendly service of the bank personnel	8

Table 6.8: Rational behind the decision to choose EXIM banks

Schemes

17 respondents out of the total 40 respondents informed that they took saving schemes for higher rate of profit. Other 15 respondents out of the total 40 respondents informed that they took saving schemes for good reputation of the bank. Some 8 respondents out of the total 40 respondents informed that they took saving schemes for cordial and friendly services of the bank personnel. Rest 3 respondents told about their faith on the bank.

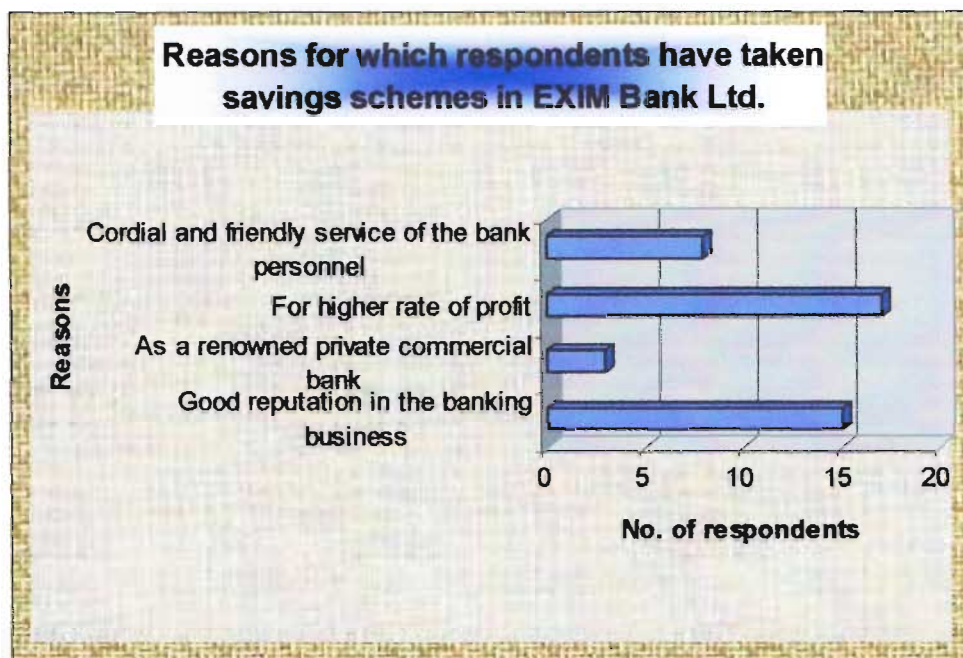


Figure 6.8: Rational behind the decision of increasing or decreasing investment

The above figure also portrays the same as above. Hence the bank should put emphasis on the prime reasons.

6.9 Knowledge of the respondents about the saving schemes of EXIM Bank

The survey of the authoress attempts to find out the knowledge of the respondents about the saving schemes of the EXIM Bank. The following

result was found in this regard.

Know about all 36

Do not know 4

Table 6.9: Knowledge of the respondents about the saving schemes of EXIM Bank

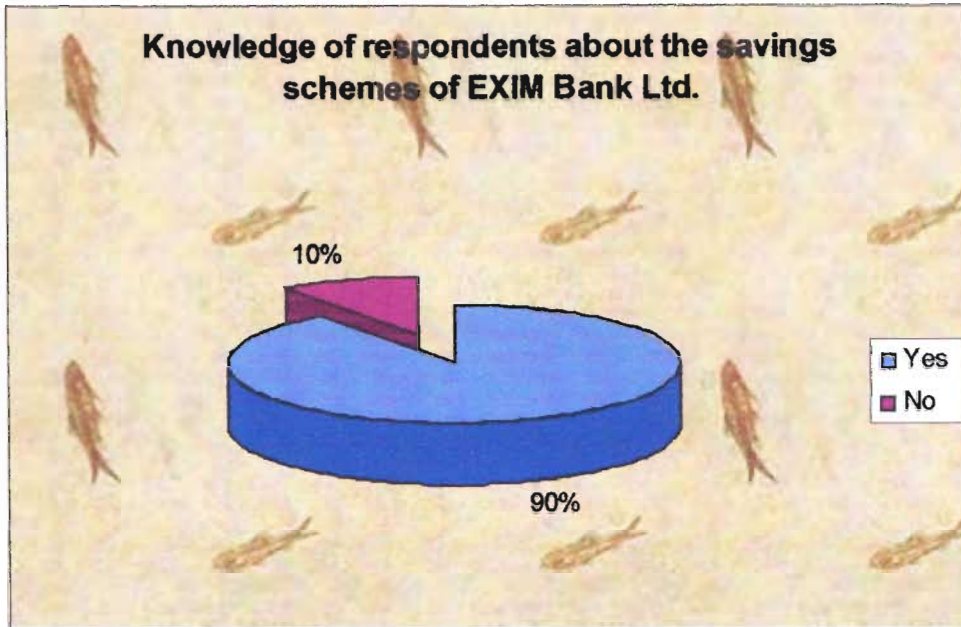


Figure 6.9: Knowledge of the respondents about the saving schemes of EXIM Bank

From the above table and figure it is found that the 90% of the saving scheme holder know about all the saving schemes of the bank where as the remaining 10% do not know about all the saving schemes offered by the bank.

The above findings are satisfactory indeed but the percentage has to improve further.

6.10 Different schemes taken by the respondents.

Chapter 6: Customers Analysis

The study of the authoress attempts to find out the distribution of saving schemes taken by the respondents. Respondents were asked to choose from all six saving schemes of the bank.

The following table and figure represent the findings in this regard.

Super savings	14
Money grower	15
Education savings scheme	2
Multi-plus savings	3
Smart saver	0
Steady money	9

Table 6.10: Different schemes taken by the respondents.

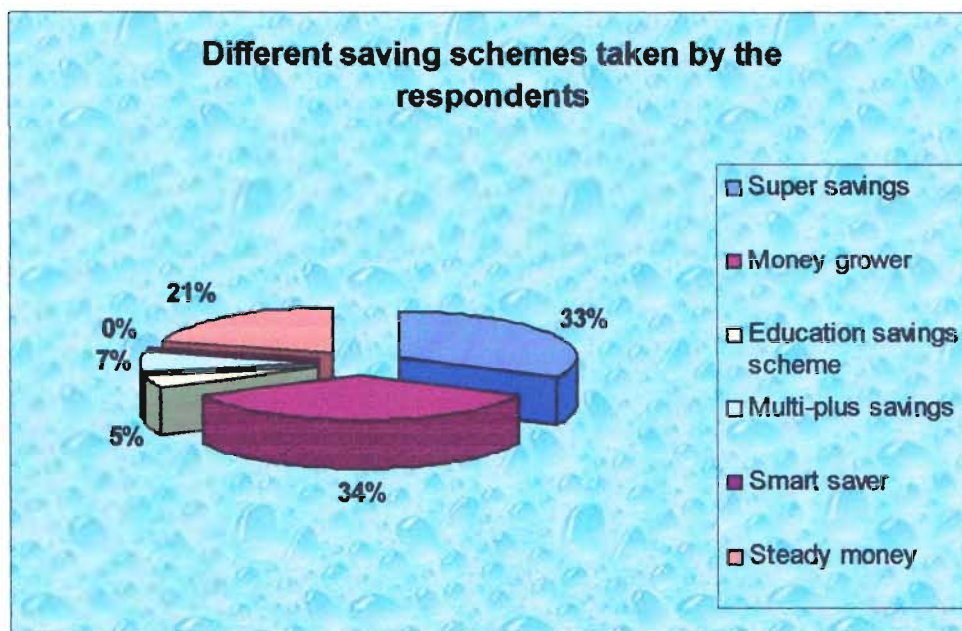


Figure 6.10: Different schemes taken by the respondents.

It is found that most of the respondents have taken Super Saving and Money grower schemes. Steady money is also taken by a significant no of

Chapter 6: Customers Analysis

respondents. Other three savings schemes are taken by very small number of respondents. This distribution questions the future of the least taken schemes and required adequate study regarding the future of this three.

6.11 Attractiveness of different saving schemes

The study of the authoress attempts to find out the attractiveness of different saving schemes and get the following result.

Super savings	24
Money grower	11
Education savings scheme	2
Multi-plus savings	2
Smart saver	2
Steady money	5

Table 6.11: Attractiveness of different saving schemes

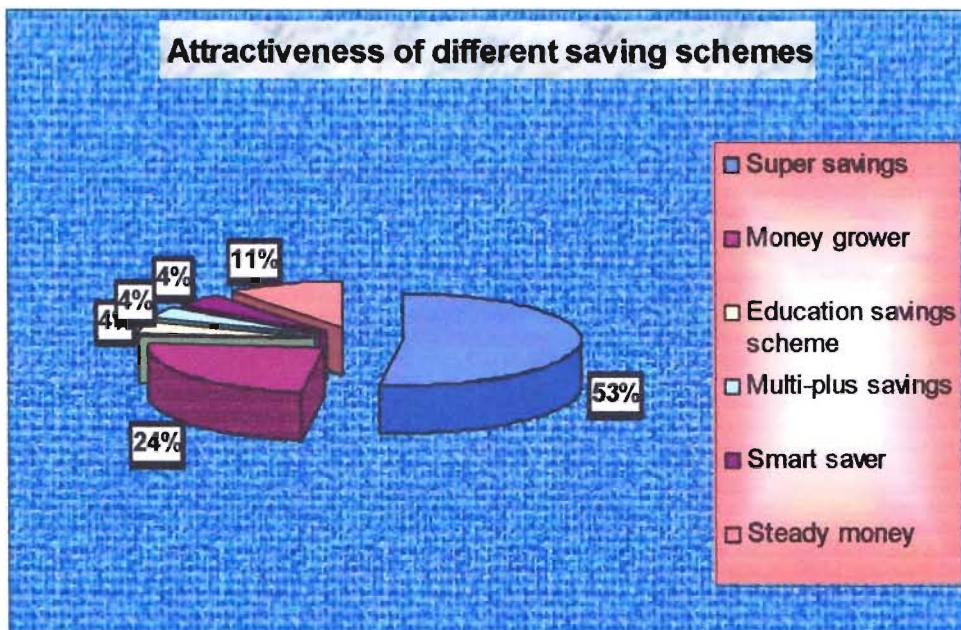


Figure 6.11: Attractiveness of different saving schemes

It is found that 53% savers are interested in Super savings followed by

24% in Money grower and 11% in Steady money. These findings further tell about the consumers' preference.

6.12: Respondents perception about the future of the saving schemes of the EXIM Bank

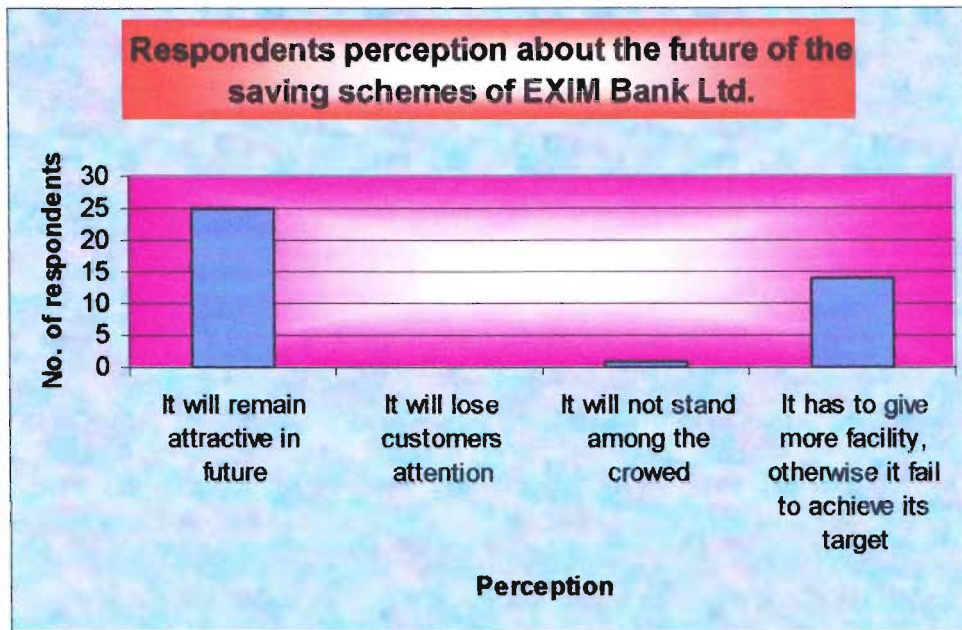


Figure 6.12: Respondents perception about the future of the saving schemes of the EXIM Bank

The above figure portrays the respondents' perception regarding the future of the saving schemes of the bank. 25 respondents out of the total are hopeful about the future of the saving schemes where as 14 respondent argued for more facility and 1 respondent express his dissatisfaction over the schemes.

Chapter 7

7.0 Recommendation

7.1 General recommendations

In the following some general recommendation are made for the overall operation of the bank.

- 1) **Installation of movie camera inside the Branch for safety, security & smooth operation of the branch.**
- 2) **In order to ensure qualities of manpower, fresh recruitment may be made from amongst the candidate with MBA, Economics, Accounting, Management and Finance background.**
- 3) **In order to develop our business, Islamic Banking unit may be introduced on an urgent basis considering the customer demand and expectation.**
- 4) **Besides, business of traditional exports items we should go for business of non traditional items.**
- 5) **Mid level officials who will be shouldering future responsibility of Bank are to be included in different executive training program home and abroad.**
- 6) **Credit card and ATM may be introduced.**
- 7) **Foreign Exchange manual, Operation manual & Investment manual may be introduced for smooth functioning of the works.**
- 8) **Training Institute of the bank may be established for Human Resource Management development.**

- 9) **We may accommodate our well known experienced client who has past experience in business with other banks.**
- 10) **Introduction of gift items for depositors for Business development.**
- 11) **Introduction of Dealing Room Operation, Swift Operation and On Line Operation System.**
- 12) **To arrange occasional get-together with the existing valued clients as well as prospective clients.**
- 13) **Highest Exporter may be awarded.**
- 14) **Internet connection has to be established for fast and cost effective communication with foreign banks and correspondents.**
- 15) **Development in the mobilization of cost-free deposits.**
- 16) **Power to be delegated gradually to the branch manager for business development.**
- 17) **Close and frequent supervision of the transaction of the branch should be made.**
- 18) **Circulation of newly printed cheque books all over the Branches is required.**
- 19) **Introduction of Transport Scheme, Consumer Credit Scheme Staff House-hold Durable Scheme.**

- 20) **Increase of quality manpower.**
- 21) Training for Cash Officer is required to prevent fraud-forgery.
- 22) **The services of Peon & Messengers of the bank should be regularized.**
- 23) **Salary structure may be reformed in comparison to other newly established commercial Banks**
- 24) **Cash \$ & TC \$ rate may be different.**
- 25) **2 copies of Newspaper for Branch (English & Bangla) .**

7.2 Specific recommendation for saving schemes

In the following some recommendation are made to improve the efficiency of the saving schemes of the EXIM Bank Ltd.

- 1) **The bank should advertise about its schemes in all sort of print and non print media so that the target group may be aware about these schemes.**
- 2) **It was revealed from the survey that the depositors were attracted towards the saving schemes because of various reasons. Therefore such benefit should be high lightened in the advertisement in order to make the target group aware of the features of the schemes.**
- 3) **Advertisement may be placed on radio which will incur less cost but will be the most effective one.**
- 4) **It is found that the reference groups [relatives etc] have influence over the target group. Therefore maintaining good customer relationship will benefit the bank.**

- 5) The bank should have a regular comparative study to up to-date bank's schemes with the market.
- 6) During the survey some customers told that lower installment will provide them an opportunity to get more schemes and be benefited in such a way. Hence bank should put emphasis on the matter.

Chapter 8

8.0 Concluding Remark

The project program has given me a practical exposure to the professional life. EWU has designed this project program. By taking student in completely new environment, the program teaches about community living. Entering into that new environment it creates a special bond with the student who participated in this program.

Among huge task I have concentrated on my objectives. The entire study was aimed towards fulfillment of those objectives.

After the conducting the survey very carefully I found that the features of the saving schemes of the EXIM Bank is very attractive to the people. The effort of the banks officials plays a vital role in this regard.

In my opinion after conducting the entire survey the saving schemes of the EXIM Bank will be able to attract more customers and In such a way it will help the bank to accumulate more fund.



Sources:

- ❖ www.eximbd.com
- ❖ Published materials
- ❖ <http://www.bangladeshinfo.com/business/banking04.php>
- ❖ <http://www.asiatradehub.com/bangladesh/banks.asp>

Appendix

Dear respondent,

I am a student from East West University, Bangladesh (EWU). I'm doing a survey on the **Future of the Savings Schemes** of the **Export Import Bank Limited**. In this respect I want to ask you some questions. I would appreciate hearing your opinion regarding the concerned study and ask you to fill out the survey questionnaire below along with any additional comments you feel would be helpful. I assured you that all information will only be used for educational purpose and will be remain confidential. I further assured you that no part of this information will be published in any form.

Name of the bank

Designation

1. How many saving schemes your bank has? Please specify the number.

➤

2. What is the prime intention behind lunching this product into the market?

- Attract small savers
- Attract huge savers
- Quickly increase market share of your bank
- Quickly attract customers
- Provide social service

3. Do you think saving schemes are very important to accumulate fund for the private commercial banks?

- Very important
- Important
- Necessary
- Required
- Needed
- Not much important
- Not required

4. Approximately what is the percentage of your bank's fund is accumulated from saving schemes? Please specify.

➤

5. "Small savers are very important for commercial banks" do you agree with this proposition?

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

6. "Huge savers are more important than small savers" do you agree with this statement?

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

7. In your opinion should the private commercial banks come up with new saving schemes with special attribute into the market?

- Yes.
- No.

8. Do you think saving schemes will play a vital role to accumulate fund for the private commercial banks of Bangladesh in future?

- Yes.
- No.

9. Please briefly justify your answer to the question no 8.

➤
.....

10. Do you suggest any more features to improve the saving schemes offered by the private commercial banks? Please specify if any.

➤
.....
.....

11. What saving scheme first comes in your mind whenever you are suggesting a saving scheme to one of your client? Please specify.

➤
.....

12. Please write down any additional comments you feel necessary regarding the topic of this survey.

➤
.....
.....

[Thank you for your co-operation]

Dear respondent,

I am a student from EAST WEST University, Bangladesh (EWU). I'm doing a survey on the **Future of the Savings Schemes** of the **Export Import Bank Limited**. In this respect I want to ask you some questions. I would appreciate hearing your opinion regarding the concerned study and ask you to fill out the survey questionnaire below along with any additional comments you feel would be helpful. I assured you that all information will only be used for educational purpose and will be remain confidential. I further assured you that no part of this information will be published in any form.

Male / Female

Occupation

Age years.

1. Please specify your monthly income from one of the following group in taka.

- 3000 – 5000
- 5001 – 8000
- 8001 – 11000
- More than 11000

2. Your educational level

- S.S.C
- H.S.C
- Graduate
- Masters

3. Do you take any saving scheme?

- Yes.
- No.

4. How much money you have invested in the saving scheme?

- 25,000
- 50,000
- 100,000
- 200,000
- 500,000
- others

5. If your answer to the question no 3 is yes than how did you come to know about the saving schemes?

- From your bank officers
- From your well wishers

- From media
- From your financial advisers

6. For how many years you have taken the scheme?

-

7. Are you planning to increase your investment on saving schemes?

- Yes.
- No.

8. Please justify your answer to the question no 7.

-

9. In which bank you take your saving scheme? Please specify in the following.

-
-

Go ahead if you have taken your saving scheme in the Export Import Bank Limited

10. Why do you choose **Export Import Bank Limited** to take your saving scheme?

- Good reputation in the banking business
- As a renowned private commercial banks
- For higher rate of profit
- Cordial and friendly service of the bank personnel

11. Do you know about all the savings schemes offered by the **Export Import Bank Limited**?

- Yes.
- No.

12. Which saving scheme you have taken? Please specify

-

13. Which of the following schemes offered by the **Export Import Bank Limited** seems most attractive to you?

- Super savings [double your deposits in 6 year]
- Money grower [monthly saving schemes]
- Education savings scheme [assist you to bear your children's educational expense in future]

- Multi-plus savings [10 years deposit more than triple]
- Smart saver [a high return investment plan]
- Steady money [monthly income scheme]

14. Which of the following saving schemes do you prefer?

- Long term saving schemes [more than one year]
- Short term saving schemes [less than one year]

15. Please specify why do you prefer long term or short time saving scheme?

-
-

16. What features of the savings schemes attract you most?

- High rate of return
- Growth of your money
- Safe future
- Safe & secured investment

17. Please specify why the particular feature attracts you most?

-
-

18. Please explain in which way you think your saving scheme will help you in future?

-
-

19. Please specify your suggestion in order to improve your scheme

-
-

20. Do you ever suggest any body to take the saving schemes offered by the **Export Import Bank Limited**?

- Yes.
- No.

21. If your answer is yes or no to the question number 20 than please specify in the following the reason behind your answer.

-
-

22. What is your opinion about the saving schemes of the **Export Import Bank Limited**?

➤

23. Which word comes to your mind whenever you think of taking a new saving scheme?

➤
.....

24. I took saving schemes Export Import Bank Limited for.....
.....

25. What is your idea about the saving schemes of the **Export Import Bank Limited**?

- Excellent.
- Very good.
- Good.
- So, so.
- Not satisfactory.

26. Would you please specify what sort of new attribute will enhance your interest to take one more saving schemes of the **Export Import Bank Limited**?

➤
.....

27. What would you think about the future of the saving schemes of the Export Import Bank Limited?

- It will remain attractive in future
- It will lose customers attention
- It will not stand among the crowd
- It has to give more facility otherwise it will fail to achieve it's target

28. Please write down if you have any additional comments regarding the topic.

➤
.....
.....
.....

[Thank you for your co-operation.]