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BBA

(Sean Jones)

An Appraisal (Evaluation)

Of

First Security Bank Limited.

Department of Business Administration

East West University

Internship Report

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An Appraisal
Of
First Security Bank Limited.

Prepared For:

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Date: December 30, 2003

East West University

January 12,2003

Dr. Golam Ahmed Faruqui

Assistant Professor & Assistant Proctor

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Dear Sir

As a student of business administration, I have to submit an internship report for the fulfillment of my graduation. I have tried my very best to fulfill the requirement of the course.

Working three months in the First Security Bank Ltd. helped me to fulfill the requirement of writing the internship report and subsequent preparation of this report is a very valuable experience for me as its helps to combine practical within theoretical knowledge.

My internship in First Security Bank Ltd was a worthwhile experience and the experience and the exposure of such a reputed organization would be a define value for me. I would like to mention here that I am extremely grateful to you for your favorable guidance, tireless effort and attention as and when required in accomplishing the report. I followed your instruction schedule, format and discipline obediently and sincerely.

I am really grateful to you because of your tiresome effort for me, which provided me the opportunity to do this internship report.

I shall be pleased to answer any query you consider necessary as and when needed.

Sincerely yours

Irin Pervin

ID# 1998-2-10-031

Acknowledgement

The report could never been completed without the help of some helpful and cooperative persons. I would like to state the name of those supportive bodies.

First, I would like to express my gratitude toward my advisor Dr. Golam Ahmed Faruqui, Assistant Proctor and Assistant Professor of East West University, who showed specific guidance to prepare this Internship report.

I express my gratitude and deepest respect to Dr. Abdul Hye, Professor of Accounting, East West University, who also help me to find the ratios.

Finally, I would like to thank my family members who gave me the opportunity to study in East West University.

Preface

The BBA internship program is a compulsory course for the students who are graduating from the East West University. It is three-hour duration of three months. Student who have completed all the required courses are eligible for this program.

In the internship program I was attended with a host organization for the last three months. During this period I learned how the host organization works in the field of banking sector.

The main theme of the internship is to gather practical experience and knowledge about the corporate banking activities of the financial sector in our country. It also helps a student compare to the theoretical knowledge with the practical field and this helps the student to get more exposure in the service life in a banking sector.

I have evaluated the performance of the First Security Bank Ltd. in this report. You can understand the performance of First Security Bank Ltd. when you go through the report. I have tried my best to make the report as informative as possible.

Executive Summery

First Security Bank Ltd is a scheduled bank in the private sector established under the company's Act 1994 and the commencement banking operation effectively from October 25, 1999.

This internship report represents the thirteen weeks working experiences on First Security Bank Ltd. I have assigned in the Dilkusha branch of First Security Bank Ltd.

The main objective of this report is to evaluate the performance of First Security Bank Ltd. there are five chapters in this report. The first chapter consists of the overview of First Security Bank Ltd, objective, scope, methodology and limitations of the study.

The second chapter is on the appraisal of First Security Bank Ltd; this is main part of the report. It includes the deposit mobilization, general banking, loan sanction and its procedure, export, import of First Security Bank Ltd.

The third chapter consists of financial analysis of First Security Bank Ltd and comparison the financial performance with Mutual Trust Bank Ltd and Mercantile Bank Ltd. it also consists the SWOT analysis of First Security Bank Ltd

The forth and fifth chapter consists of the problems, recommendation and conclusion. In problem part I tried to find out some problems of First Security Bank Ltd and based on these problems I have recommended some point that is in the fifth chapter.

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Chapter One

Profile of the organization

Origin of the organization

The experience of the prosperous economic of the Asian countries and in particular of South Asia has been divided force and the strategic operational policy of the bank. The company philosophy “A Step Ahead in Time “ has been precisely the essence of the legend of Asian Success.

The Government of Bangladesh as a schedule Bank in the private sector has licensed First Security Bank Limited in presence of the policy of liberation of banking and financial services of Bangladesh. He bank was incorporate as a public limited company on August 12, 1999, under the company’s Act 1994 and the commencement banking operation effectively from October 25, 1999. During this short span of time the bank had position itself as a progressive and dynamic financial institution in the country.

The bank had been widely acclaimed by the business commodity from small businesspersons or entrepreneurs to large traders and industrial conglomerates included the top rated corporate borrowers for providing innovative financing solutions.

The sponsor and director of the bank are a successful group of prominent local and non-resident Bangladesh investor who has earned high credential and excellent reputation in their respective fields of business at home and abroad.

Mission

First Security Bank LTD's business mission is to assist the business development of private sector institutions, industry and household. It provides products and services that encourage savings. Then it directs the fund in deposit to invest in other endeavors by extending advances to suit the need of commercial and industrial enterprises. It also emphasizes on a reasonable return from its investment to satisfy the shareholders.

FSBL's main business mission is to obtain a sustainable position in the banking sector of Bangladesh as well as internationally.

Objective

- ❖ To provide standard financial services
- ❖ Profit maximization

Vision

A Step Ahead in Time.

Objectives of the report

- The present and overview of FSBL
- The evaluate the activities of FSBL
- To evaluate the financial performance of FSBL
- To identify the problems of FSBL
- To suggest recommendation for the development of FSBL

Scope and Methodology

First Security Bank Ltd is a private commercial bank in Bangladesh. It has 10 branches all over Bangladesh. The report looks into the Bank's Historical Background as well as its Present status. The current standing of the bank is analyzed with the help of-

- Financial Ratio Analysis
- SWOT Analysis

Moreover, this part looks into the corporative culture, values & beliefs practiced and the product of portfolio First Security Bank Ltd.

Methodology of the study

Both the Secondary and Primary Sources have been used to collect data for this term paper. The bank has established in 1999. So the study will cover the period from 1999-2000.

□ Collection of Secondary Data:

Data regarding the operations of First Security Bank Ltd and analysis of financial statement were collected from secondary sources like Annual Report, Brochures, Manuals and publication of First Security Bank Ltd, and also the General Manger's circulars regarding rules and procedures of operations etc. were the major sources of secondary data.

□ **Collection of Primary Data:**

Many of the data and information were collected from my practical experience and queries from the executives while doing my internship at First Security Bank Ltd. information and data regarding products & services, interest rates & charges, banking operations, organization structure, management personnel, and policies were collected from this sources.

Limitations of the reports

To prepare the internship I encountered some limitations. The limitations are given below.

- Limitation of time was a major constrain in making a complete study, due to time limitation. The duration was only twelve weeks. It was too limited to cover all the banking area. Many aspects could not be discussed in the present study.
- Lack of comprehensive of the respondents was the major problem that created a lot of confusion regarding verification of conceptual question.
- Confidentiality of data was another important barrier that was faced during the process of this study.
- As being an intern, it also created some problems, as I was unable to acquire hands-on-experience in all the departments, due to the bank's policy of maintaining secrecy and also because I did not get the opportunity in all departments.

Chapter-2

An Evaluation of Activities of FSBL

2.1

First Security Bank was established in 25th October 1999, with many types of banking activities. The main motto of this bank is to provide comparative better and improved modern banking services to its customers.

Number of Branches

The total number of branches of this bank is ten (10).

Number of Employees

The total number of employee working in FSBL is 283.

Image and Reputation of the Company

As a creative organization and for quality service, working in **First Security Bank** has already obtained full satisfaction of the valued customers. In industrial sector, they earned much reputation for their successful participation in financial institutions. Besides achieving great success and honor in domestic land they also built up a strong image outside Bangladesh in international trade for their customers.

Source of Image

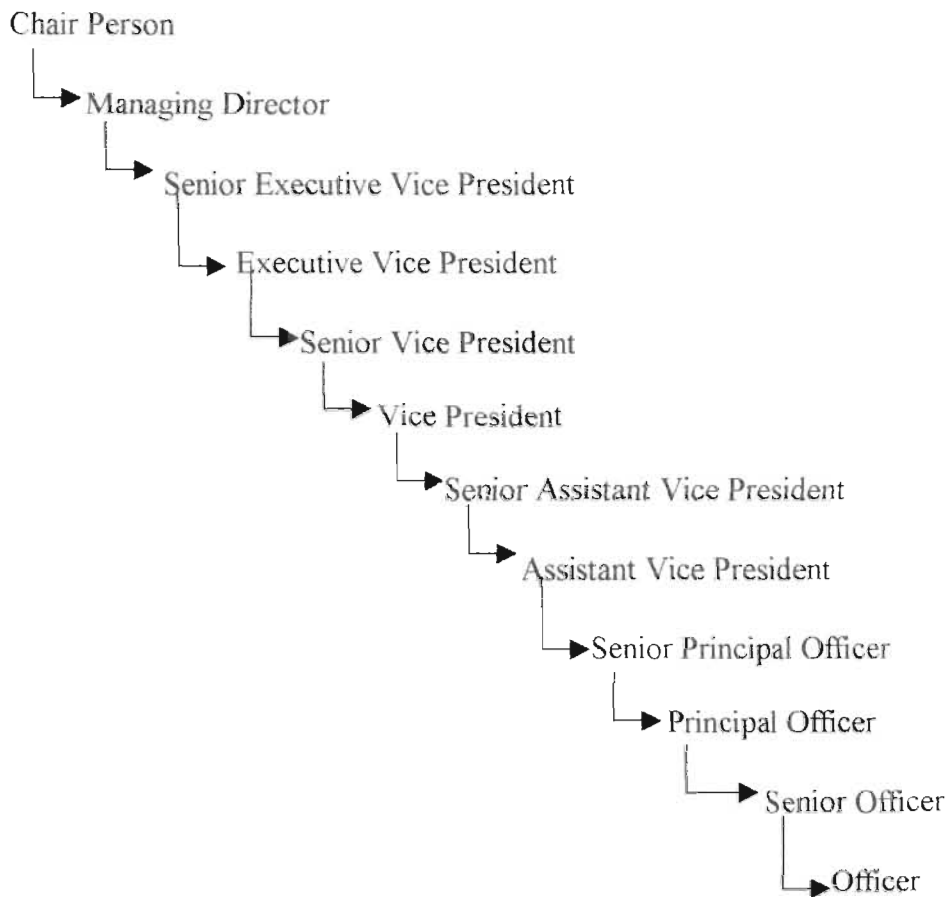
First Security Bank Ltd. Has positioned word of mouth, continuous support from various class households, various Banks, Financial institutions, Multinational Companies, Govt. and Semi Govt. agencies and many Private Companies act as sources to build up a strong image and reputation for **First Security Bank Limited**.

Name, Address and Opening of Operating branches of FSBL

Name of the Branch	Address	Opening
01 Dilkusha	23, Dilkusha Commercial Area, Dhaka	25 th October, 1999.
02. Khatungonj	142, Chand Meah Lane Khatungonj, Chittagong	9 th August, 2000
03. Mohakhali	Khaja Tower 95, Mohakhali C/A Dhaka	26 th November, 2000
04. Agrabad	163, Sheikh Mujib Road Agrabad C/A, Chittagong	30 th November, 2000
05. Biswanath	Hazi Abdul Khaliq Super Market, Natun Bazar Rampasha Road Biswanath, Sylhet	20 th March, 2001
06. Bangshal	176, Bangshal Road Dhaka	10 th July, 2001
07. Jubilee Road	365, Jubilee Road Chittagong	9 th August, 2001

Organization Structure

Organizational structure plays an important role on the profitability of any organization. First Security Bank Limited is a centralized organization and operates in a functional oriented structure. That is, activities are designed on the basis of traditional banking business, such as credit, international division, administration and operation etc. FSBL has a formal organizational structure that is highly specialized and centralized. The whole organizational structure is given below-



Branch Expansion

The number of branches as it stands now in ten and steps are being taken to open some more branches at commercially important places in Dhaka, Rajshahi, and Khulna by the year 2002.

Training

Most companies believe that their employees are their employees are their most important assets. This is particularly true for a service institution, which is a strongly decentralized as **First Security Bank** that makes high demand on the skills of the staff. Therefore, the bank consistently channels a great deal of resources and efforts in to training and development of executives and employees.

To enhance and update the professional skill knowledge of the officer and staff, regular meeting with the Executives, regular training held by the bank.

Present Status of FSBL

The banking performance prepares by **Bangladesh Bank** (Central Bank of Bangladesh) as on 31st December 2000, the total deposit of FSBL was 82 Crore Taka. Which shows a tremendous performance of **FSBL**, as fund management is their main function.

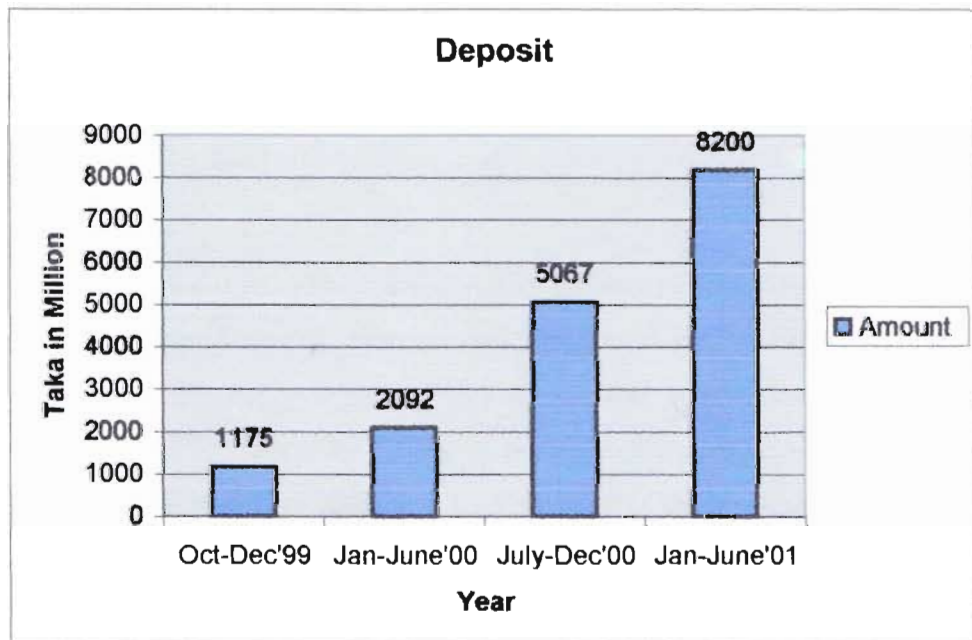
Future Plans and Prospects of FSBL

First Security Bank Ltd. Had been widely acclaimed by the business community, from small businessman or entrepreneurs to large traders and industrial conglomerates including the top rated corporate borrowers for forward looking business outlook and innovative financing solution. The central bank of Bangladesh has declared that FSBL is going to the top on the table performance among private local banks for its tremendous management.

FSBL is a forward-looking bank. **FSBL** is planning to open new branches in the city. The bank will introduce ATM service very soon. **FSBL** is going to be the first private local bank that is going to provide ATM service at a large scale. Credit card facility is another important aspect to help the clients. Therefore, **FSBL** is also planning to introduce credit card facility that will represent the bank as a complete bank.

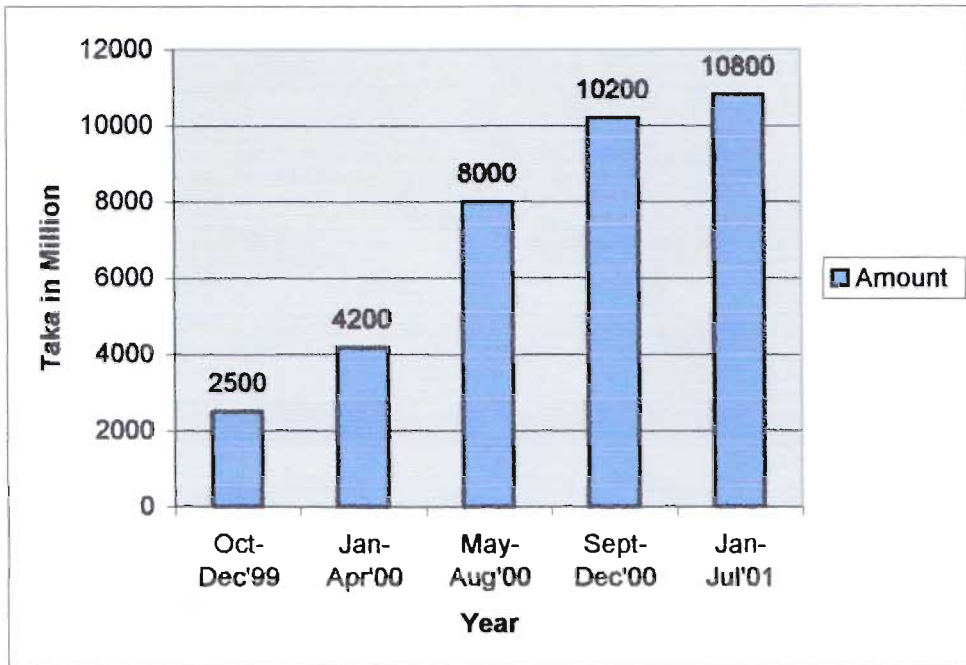
Growth and Development of the Organization

First Security Bank Ltd. has started commercial banking operations effectively from October 28, 1999. During this short span of time the bank had been successful position itself as a progressive and dynamic financial institution in the country. First Security Bank Ltd. has created a unique image for itself and earned significant reputation in the countries banking sector as a step ahead in time.



Deposit

The total deposit of the bank, which includes bills payable, rose to Taka 8200 Million as on July 31, 2001 showing a substantial increase of more than 40% compared to that of last year that enables the bank to expand its business and improve upon the profit position.

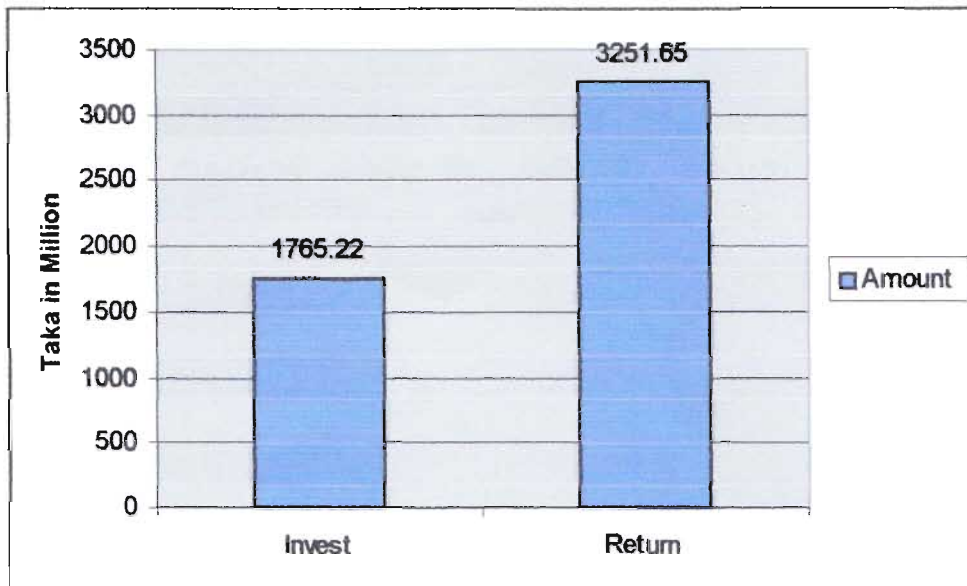


Advance

The bank continues to explore and diversify the area of financing with the objective of efficient uses of resources and take almost precautions to safe guard it. In the year 1999, the bank participated in a number of syndicate loans amounting Taka 50 Million for setting up or development of new industry in the country. In some case they acted as a lead arranger of the syndicate.

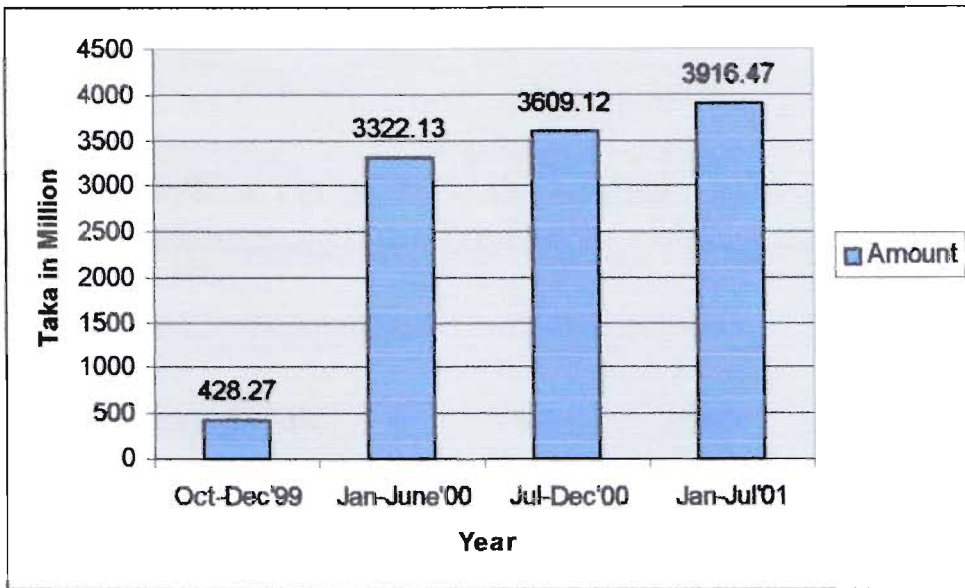
The total advances increased to the tune of Taka 3251.65 Million including bills discounted and purchased as on December 31,2001 against Taka Million in the

previous year indicating as increase 48049%. The corporate finance operations also performed well through out the year and a large number of deals were conducted. The work of adapting to new market conditions is continuing.



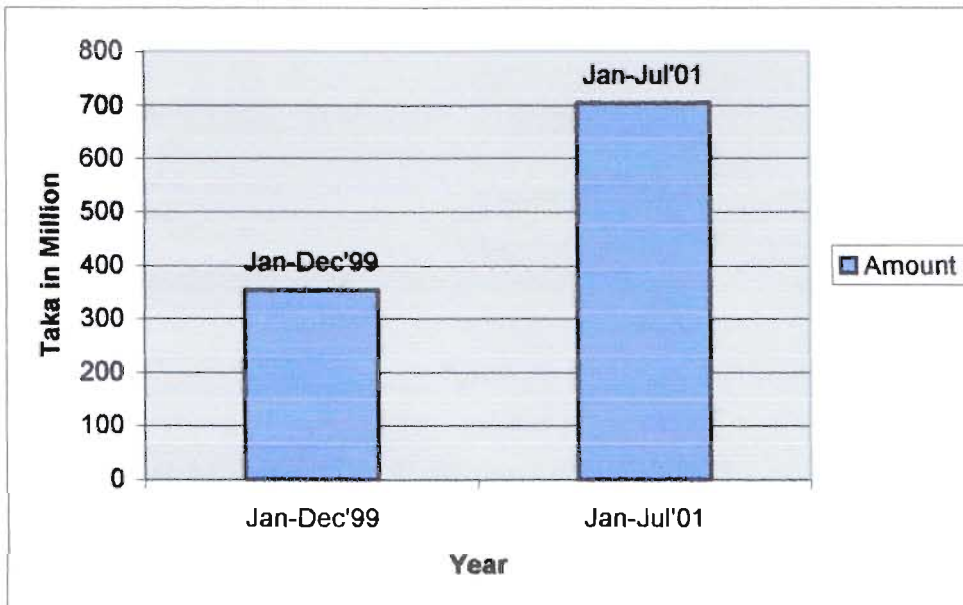
Import

The total import business handled the year 2001 (Jan-July) was Taka 3916.11 Million as compared against the year 1999 was 428.27 Million and the year 2000 was Taka 6931.37 Million in the previous two year showing an increase of 20.09%. The significant items of import were industrial raw materials, consumer goods, fertilizer, machinery, medicine etc.



Export

The total volume of export handled by the bank was Taka 704.47 Million compared to Taka 353.43 Million in the previous year registering an increase of 99.32%. The export trade continues to be a major growth area for the bank and the bank intends to concentrate in this area of business in the coming year.

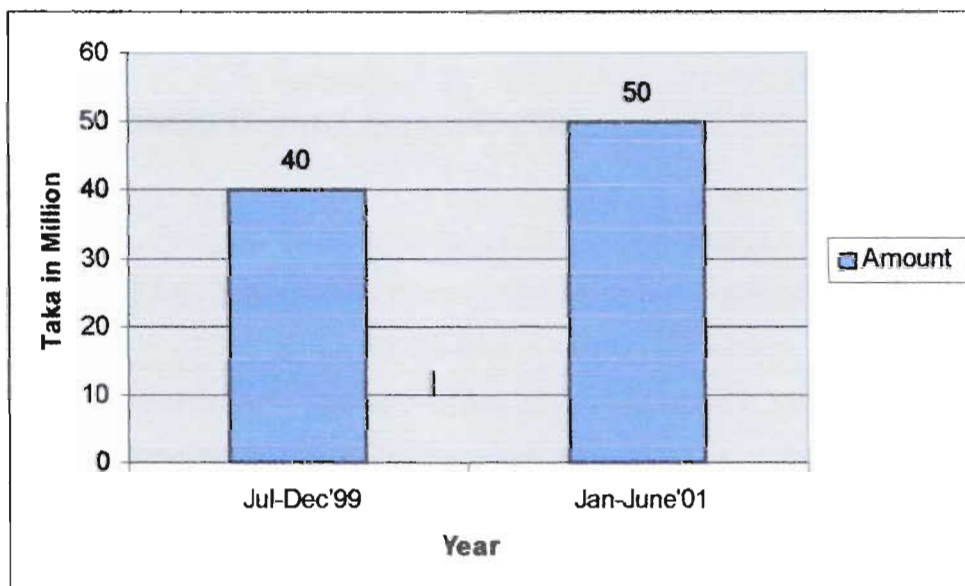


Treasury

First Security Bank Ltd. since inception, integrated treasury dealing of local money and foreign currency operations by handling a significant value of treasury transaction.

Profit & Operating Result

There was an increase in the focus on assets management that led to an improved result. The year 2001 (Jan-July) saw a growth in operation profit of the bank to Taka 50 Million from Taka 40 Million in the previous year 1999 (Jul-Dec), there by recording an appreciable increase of 20% which due to prudent lending and optimum management of funds.



2.2 Deposit Mobilization Performance of FSBL

1. Account Opening:

General banking system of the FSBL provides different types of account facilities. Each account has different restriction and requirement. There are different types of account facilities. They are as follows-

- i. Savings Deposit Accounts (SB)**
- ii. Current Deposit Account (CD)**
- iii. Short Term Deposit (STD)**
- iv. Fixed Deposit Receipt (FDR)**
- v. Monthly Saving Schemes (MSS)**
- vi. Monthly Benefit Saving Scheme (MBSS)**
- vii. Double Benefit Saving Scheme (DBSS)**
- viii. Bearer Certificate Deposit (BCD)**
- ix. Sanchayparta**

i. Savings Deposit Accounts (SB)

Saving account are designed specially for the middle-income groups who are generating limited income and have the tendency to save. The depositor is obliged to maintain a balance of Tk. 1,000 of the balance for the sake of earning the interest. They are paid a fixed interest on there savings. The interest rate of this account is 8.25% fixed for any balance. Requirements for opening of this account are as follows-

- Two copies of Photograph (Passport Size)
- Specimen signature
- Introducer
- TIN (Tax Identification Certificate)
- VAT Certificate

There are two types of saving accounts in this bank-

- A. Individual Savings Account
- B. Joint Savings Account

ii. **Current Deposit Account (CD)**

The characteristics of the savings accounts and current accounts are more or less same without few expectations. In current accounts no interest is given but some sorts of freedom are offered to the current accounts maintaining depositors. Depositors can withdraw their deposits any time in the working days. That is, there is no time restriction. There are different types of current account that are provided by FSBL are as follow-

a) Individual Current Account

The clients who want to open this type of account have to deposit at least 1000/- Taka to maintain this account. There must be a nominee. Requirements for opening of this account are as follow-

- Two copies of Photograph (Passport Size)
- Specimen signature
- Introducer
- TIN (Tax Identification Certificate)
- VAT Certificate

b) Proprietorship Current Account

The proprietor of a firm can open this type of account. Requirements of this account are as follows-

- ❑ Two copies of Photograph (Passport Size)
- ❑ Up to date trade license
- ❑ Company seal
- ❑ Introducer
- ❑ TIN (Tax Identification Certificate)
- ❑ VAT Certificate

c) Partnership Current Account

To open a partnership current account, the requirements are as follows-

- ❑ Individual two copies of Photograph (Passport Size)
- ❑ Up to date trade license
- ❑ Partnership Deed
- ❑ Company seal
- ❑ Introducer
- ❑ TIN (Tax Identification Certificate)
- ❑ VAT Certificate

d) Limited Company Current Account

To open a Limited Company Current Account, the requirements are as follows-

- ❑ Photographs of Directors
- ❑ Up to date trade license

- ❑ A certified copy of memorandum and articles of association
- ❑ Certificate of incorporation
- ❑ List of Directors
- ❑ Certificate of commencement of business
- ❑ Copy of resolution of the board of Directors certified by the Chairman
- ❑ List of names and specimen of signature of those persons authorized to operate the accounts duly, certified by the Chairman/ Managing Directors.
- ❑ Resolution for opening account with the bank

(iii) Short Term Deposit (STD)

Short Term Deposit Account Opening procedure is similar that of the current account. The rate of interest on this type of account is 5.25%. Withdraws from this type of account require a prior notice of seven days.

(iv) Fixed Deposit Receipt (FDR)

There are various fixed deposit schemes in **FSBL**. The interest rate of the deposited amount depends on duration and volume of the amount. If duration is long the interest rate is high, and at the same time if the volume of amount is large the interest rate is also high and vice-versa. Depositors have to withdraw the interest after the maturity date. If the depositors intend to withdraw the interest earning before expiring the maturity date then the bank is not bound to pay the interest. But FSBL pays the lump sum amount to their clients. Where the nominee also can be selected in the absence of the account holder.

Particulars	Rate of Interest	Negotiable Maximum Rate
a) One Month	8.50%	9.00%
b) Three Months	8.75%	9.50%
c) Six Months	9.25%	10%
d) One Year	9.75%	10.50%
e) Two Year	0.25%	
f) Three Years & Above	10.50%	11%

(v) Monthly Saving Schemes (MSS)

Monthly Saving Scheme is as same as FDR. But in this scheme client have to pay some amount in every month with in the first ten days. Normally the maturity time is 5 years. No one can withdraw money before maturity. However, if they want the interest will be given as the rate of the scheme for the time of deposits. A number of monthly payment and the maturity dates encompassed hereinafter-

Maturity Time	Monthly Installment 500	Monthly Installment 1000	Monthly Installment 2000	Monthly Installment 5000
5 Years	41400	82500	165000	414000
8 Years	81800	163600	327200	818000
10 Years	118450	236400	472800	1184500
12 Years	142200	284400	568800	14211400

(vi) Monthly Benefit Saving Scheme (MBSS)

Monthly Benefit Saving Scheme is as same as **MSS**. The main difference between MBSS & MSS is client must have a deposit 25000/- Taka. Maturity date is only 5 years. The benefit against the deposit is given to the client every month. If the depositors want to withdraw his/her money before 5 years, he/she will get the interest as the scheme but the depositors want to withdraw his money before 6 months, he/she will not get any interest or benefit. The depositors can get 80% loan against his/her deposits. The depositor has to give 16% interest on the loan amount. A number of monthly payments encompassed hereinafter-

Deposits	Amount of Benefit
25000	250
50000	500
100000	1000
200000	2000
500000	5000
1000000	10000

(vii) Double Benefit Saving Scheme (DBSS)

Double Benefit Saving Scheme (DBSS) is as same as **MBSS**. The main difference between MBSS & DBSS is client must have a deposit 10,000/-Taka. Maturity date is only 6 years. The benefit against the deposit is given to the client every month. If the depositors want to withdraw his/her money before 6 years, he/she will get the interest as the scheme but the depositors want to withdraw his money before 6 months, he/she will

not get any interest or benefit. The depositors can get 80% loan against his/her deposits. The depositor has to give 16% interest on the loan amount. A number of monthly payments encompassed hereinafter-

Maturity	Deposit	Principle with Interest	Total Amount
6 Years	10,000	Double	20,000
6 Years	25,000	Double	50,000
6 Years	50,000	Double	1,00,000
6 Years	1,00,000	Double	2,00,000
6 Years	2,00,000	Double	4,00,000
6 Years	5,00,000	Double	10,00,000

(viii) Bearer Certificate Deposit (BCD)

Here total interest will be given at the commence period of the opening account. Therefore, the concern person who dares the certificate in the owner of BCD. BCD and FDR interest rates are same. But 10% general tax on interest.

(ix) Sanchayparta

Here interest is given on the basis of depositing amount and maturity. It is issued by Bangladesh Bank. FSBL maintains various types **Sanchayparta**. They are discussed bellow-

- # Eight Years Protirakkha Sanchayparta (PSP)
- #Five Years Bangladesh Sanchayparta (BSP)
- # Sanchayparta Interest on Half yearly Rest (SP)
- # Sanchayparta Interest PM Quarterly Rest (SP)
- #Three Years Paribar Sanchayparta

General Banking

Division of General Banking:

1. **Cash Department**
2. **Remittance**

Cash Department

All sorts of transaction considering the cash are taken into the care in the cash department. Cash is deposit in the name of concern bank and disbursed to the client by his department.

Remittance Department

Remittance is another significant part of the General Banking. The bank provides services and various types of bills throughout the remittance within the country. Obviously, the bank charges commission on the basis of bills account. Types of remittance are as follows-

(i) **Pay Order (PO)**

A **Pay Order** is issued only with in the members of Bangladesh Bank clearing house. It can be issued in favor of a customer holding an account by debiting his/her account and crediting bills payable account. In case of non-customer, cash equivalent of the payment

plus pay order charges is received in cash and held in daily expenses account until the payment is made through clearing.

(ii) Pay Slip

Pay Slip is issued when Bank created expenses for his own purpose.

(iii) Demand Draft (DD)

DD is as same as Payment Orders, but it can be drawn on other branches of **FSBL** and Bangladesh Bank. A **DD** is drawn on the banks other branches when payment has to be made outside of Dhaka. The Bank has to have a branch over there and prayer should have an account with the bank.

(iv) Telegraph Transfer (TT)

TT is one of the fastest from remittance. All incoming telexes are kept in the telex room and test agreed. One copy of telex is kept in the file and other is worked on. Payments of incoming **TT**'s are made either issuing **DD**'s or **PO**'s depending upon the requirement of the customers.

Advancing Banking of FSBL

Advance Banking

Importance of Bank Credit

Financial Intermediary is an important activity in the economy because it allows fund to be channeled from those who might otherwise not put them to productive use to those who will. In this way financial intermediaries can help promote a more efficient and dynamic economy. Some other importance of bank credits is as follows.

- # Credit is an important determinant of money creation and hence of production, consumption and national income.
- # Credit influences and is influenced by quantity of money, level of economic activity (GNP), imports and net foreign assets.
- # Credit influences imports and capital movements and hence the outcome of balance of payments
- # Credit influence behavior of economic sectors (industry, agriculture) and behavior of economic agents.
- # Credit provides vital linkage among Govt. sector, private sector, financial sector and foreign sector.
- # Credit provides vital linkage among Govt. sector, private sector, financial sector and foreign sector.
- # Credit is the most important activity of banks, because interest of loans constitutes the major part of bank income. Hence vital importance of making good loans.

Principles of Sound Lending

The function of lending is very crucial to the banker because of the associated risk and profit potential. To ensure the quality of sound lending there is followed some certain principles. These principles are—

Safety

Safety is the mostly important thing to exercise the lending function. It also exercised only when it is safe and that the risk factor is adequately mitigated and covered. So the banker should ensure that the security offered are adequate and readily realizable and the borrower is a person of integrity, good character and reputation.

Security

The securities of the customers are insurance and banker can fall back upon them in times of necessity. For the sake of safety he should ensure that the securities are adequate, marketable and free from encumbrances. Securities that could be marketed easily, quickly and without loss should be preferred.

Liquidity

Liquidity refers to the ability of an asset to convert into cash without loss within short time. So a bank should take adequate care so that the liquidity is not compromised.

Diversity

The diversification is more important. This means he should not lend a major portion of his loan able funds to any single borrower or to any industry or to any particular region. So a bank should follow wise policy to avoid risk by diversified the loan portfolio and concentration of lending in one particular sector should be avoided.

Profitability

Like all other commercial institution banks also run for profit. The main source of profit comes from the difference between the interest received on loans and those paid on deposit. A banker should never give undue importance to profitability.

Types of Bank Credit

Modern banking operation touches almost every sphere of economic activity. The extension of bank credit is necessary for expansion of business operations. Bank credit is a catalyst for bringing about economic development. Without adequate finance there can be no growth or maintenance of a stable output. Bank lending is important to the economy, for it makes possible the financing of agricultural, commercial and industrial activities of a nation. The credit facilities are generally allowed by the bank may be in two broad categories. They are as follows---

1. Funded Facilities

Funded facilities can also be divided into the following categories---

A. Term Loans

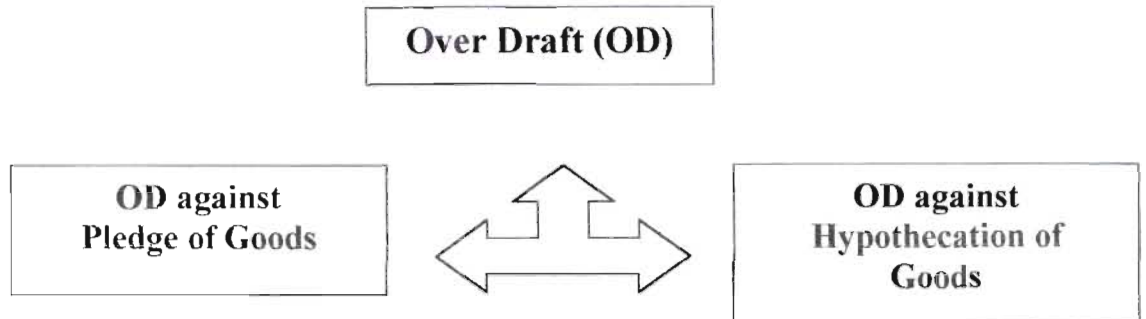
The term of loan is determined on the basis of gestation period of a project and generation of income by the use of the loan. Such loans are provided for seasonal agriculture activities, Farm Machinery, Dairy, Poultry, Transport facilities, Extension of tea gardens and development of horticulture, Fishing, Etc. It is categorized in three segments----

<u>Types of Term Loan</u>	<u>Time (Period)</u>
# Short Term	: 1 to 3 years
# Medium Term	: 3 to 5 years
# Long Term	: Above 5 years

B. Over Draft (OD)

The overdraft is one kind of advance. In this case, the customer is allowed to overdraw his or her current account by drawing a check more than available balance up to an agreed limit within a certain period of time but not exceeding more than one year, against acceptable securities. These facilities are granted to the customer only after

reviewing the credit standing; financial ability and status of the customer as well as the purpose have been favorably established. The overdraft limit is based on “ADVANCE LINE OF CREDIT” available on a receiving basis and reviewed prior of expiration of the agreed of time between the bank and the customer.



(I) OD against Pledge of Goods

Overdraft against pledge of goods may be extended to the borrowers against pledge raw materials or finished goods product as security. This is given accordingly to credit and margin restrictions imposed by Bangladesh and FSBL head office time to time. Here the customer signs a dully-stamped letter of pledge by which the customers surrender the physical possessions of goods to the effective control of the bank. The ownership of the goods remains with the borrower. The outstanding liabilities are adjusted out of the sales proceeds.

Measure taken while providing OD against pledge

- # Quality and quantity of the goods properly ascertained.
- # The goods must be readily saleable and have an effective demand in the present market conditions.
- # The goods must not be perishable. It must store in proper warehouses to prevent from deterioration and risk of pilferage.
- # The goods have to insured with bank mortgage clause.
- # Security personnel are to be posted in the warehouse for safety of the goods.

Authorized bank personnel are inspected goods or stock regularly.

Stock card must e displayed in the warehouse indicating the quality, their value and price rate of the goods.

Margin

The margin is fixed depending on the nature and type of security and the financial stability of the customer. The Bangladesh Bank regulations are of course kept in mind. FSBL retains a responsible margin and this also to cover up any shortage, shrinkage, and fluctuation of rate and fall in price, etc.

Drawing Power

The drawing power indicates the ceiling or the limit up to which a customer can overdraw in his or her account. The drawing power is calculated on the amount arrived after deduction of the margin from he securities value either on cost price or market price which ever is lower. Under no circumstances, the advance will exceed the drawing power of the customer in the manner described above.

(II) OD against Hypothecation of goods

FSBL prefers and peruses this type overdraft. Under this arrangement, credit facility is provided to the borrower on singing a letter of hypothecated, creating a charge against the raw materials or finished goods, etc. hypothecated to the bank as primary security against the advance. In this case, both the ownership and physical possession of goods remain with the bank and when called upon to do so. The bank acquires the right over the goods hypothecated.

Measure taken while providing OD against Hypothecation

The clients need to be trust-worthy and reliable.

The goods should be ready saleable and of course have constant demand in the market.

The borrowers have has an absolute title of the goods.

Margin

Same as the overdraft against pledges.

Drawing power

Same as the overdraft against pledges

C. Others

Other types of bank credits are discussed bellow.....

(I) Loan (General)

Short term, medium term and long term loans allowed to individual/farm/industries for a specific purpose but for a definite period and generally repayable by installments fall under this head. This type of lending is mainly accommodated to financing under the categories

Large and medium scale industry

Small and cottage industry

Very often term financing for (a) Agriculture and (b) Others are also include here.

(II) Cash Credit (Hypo)

Advances allowed to individuals or firm for trading s well as whole- sale 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 a other than industry.

Working Capital---- when the customer is an industry.

(III) Cash Credit (Pledge)

Financial accommodation to individual/firm for trading as well as whole---- sale purpose or to industries as working capital against pledges of goods s primary security falls under this head of advance. It is also a continuous credit and like the above allowed under the categories---

Commercial Lending

Working Capital

(IV) SOD (General)

Advances allowed to individual/firm against financial obligation (i.e. lien of FDR/PS/BSP/ Insurance policy, etc) and against assignment of work order for execution of contractual works fall under this head. This advance is generally allowed for definite period and specific purpose. It is not a continuous credit.

(V) SOD (Imports)

Advances allowed for purchasing foreign currency for opening L/C for imports of goods fall under this type of lending. This is also an advance for a temporary period, which is known as preemptor finance and falls under the category 'Commercial lending'.

(VI) PAD

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

(VII) LIM

Advances allowed for retirement of shipping documents and release of goods imported through L/C taking effective control over the goods by the pledge in go down under bank's lock and key falls under this type of advance. This is also temporary advance connected with import that is known post-import finance and falls under the category 'Commercial Lending'.

(VIII) LTR

Advances allowed for retirement of shipping documents and release of goods imported through L/C without effective control over the goods delivered to the customers fall under this head. The goods are handed over the importer under trust with the arrangement that sales proceed should be deposited to liquidate the advances within a given period. This is also temporary advance connected with import that is known post-import finance under the category 'Commercial Lending'.

(IX) IBP

Payment made through purchase of inland bills/checks to meet urgent requirements of customers fall under this type of credit facility. This temporary advance is adjustable from the proceeds of bills/checks purchased for collection. It falls under the category 'Commercial Lending'.

(X) ECC

Financial accommodation allowed to a party for export of goods fall under this head and is categorized as 'Export Credit'. The advance must be liquidated out of export proceeds within 180 days.

(XI) PC

Advance allowed to a party against specific L/C firm contact for processing/packing of goods to be exported falls under this head and is categorized as 'Packing Credit'. The advances must be adjusted from proceeds of the relevant export within 180 days.

(XII) FDBP

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

(XIII) LDBP

Payment made to a party through purchase of local documentary bills fall under this head. This temporary liability is adjustable from proceeds of the bill.

(XIV) SS

This classification contains accounts where such 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 insure that the situation does not deteriorate further. Provision @ 10% of the base is required for debts in this classification where base is the outstanding balance less interest kept in interest Suspense Account less the value of eligible securities.

(XV) Inland/Foreign Bill Purchase

The bank authority sanctions loan against checks or Bill of Exchange etc. client needs money immediately but the receivable date of securities requires to be delayed at that moment, client can loan from the bank by shoeing the securities. The margin if the loan depends on maturity of security.

(XVI) Loan Against Trust Receive

Two different types of L.T.R is issued to cover the following area of credit lines----

Letter of Trust Receive (for release of shipping documents)

Letter of Trust Receive (for pre-shipment finance)

(XVII) Bank Guarantee

The exporters pay payment of the imported goods on behalf of the importer through a bank guarantee. If the importer fails to make the fulfill payment at the moment the bank will remain liable to the exporter until and unless the importer pays the money of the imported goods. This type of guarantee also is needed to attend in any tender. The interest rate of this kind of guarantee is 15% quarterly.

3. Non Funded facilities

Non-funded facilities are divided in to following parts---

A. Guarantee

A credit facility in contingent liabilities form extended by the banks to their clients for participation in development work, like supply goods and services.

B. Letter of Credit

A credit facility in contingent liabilities from provided to the clients by the banks for import/procurement of goods and services.

C. Others

All other non-funded facilities that is not included in any other non-funded facilities.

Chart of interest on Lending of FSBL

Agriculture loan including raw jute	15%
Term loan (Project Loan)	15%
Working Capital Loan (Except jute)	16%
Export Loan (Packing Credit)	11.5%
Other Commercial Loan (CC, CP HPL, LTR, IBP, etc.	16%
Urban Housing Loan	16%
Small & cottage industry Loan	15%
Other Special Program Loan	16%
Others	
Consumer Credit Scheme	16%
SOD Against Financial Obligation (PSI, BSP, etc.	3% above BSP & PSP int. rate
SOD General & SOD Against Shares	16%

Credit Approval and Disbursement Process of FSBL

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 committees made to the bank. The authorizing credit personnel prior to credit approval must accurately determine this. If the report of the project appraisal is very satisfactory to approve the loan proposal, then the following steps furnish the approval procedure-----

1. Make proposal by applicant or client (client must be CD/SB A/c holder)
2. CIB (Credit information Bureau) inquiry must be taken. This inquiry is taken by Bangladesh Bank. Bangladesh Bank informs the branch about the financial condition and transaction regularity with another bank of the client.
3. Taken collateral or security from the client. Security may be land or building, cash Sanchaypata, etc.
4. After that all documents are scrutinizing by the lawyer of the bank.
5. Then branch will make a loan proposal in favor of M.D. and this proposal is approved by M.D.
6. The branch is given the sanction letter to the party.
7. Registered the security in favor of bank's authority.

Disbursement

After completing all the activities for sanctioning a loan, the last step of the process is disbursement. In this step when the arrangement is made with the borrower, the bank disburses loan. Loan disbursement procedures follow the rules and conditions, which was mentioned in the agreement. Both the banker and the borrower have to follow this items and conditions. Mode of loan disbursement depends on the agreement and types of loan. It may be disbursed at a time of step by step. Bankers should be very careful in loan disbursement whether the conditions are met.

Supervision and Monitoring of Credit in FSBL

1. Recovery Activities

(I) Existing loans (all categories)

- Dialyzing due date of repayment
- Regular follow-up.
- Periodical inspection.
- Surprise visits.
- Telephone collection.

(II) Overdue Loans/ Advance

- A preparation of quarterly lists; branch copy, controlling office copy and H.O. copy.
- Attempts made for adjustments of loan before application of quarterly interest.
- Must be adjusted or adjusted before being classified.

(III) Classified Loans/Advances

- Target for recovery.
- Steps for de-classification

(IV) Interest for Exemption

- Quick decision.
- Communication of decision quickly.

2. Credit Administration

Basically the total procedure of a credit is included in the credit administration procedure. But the most two important principle elements of bank credit are as follows---

- (I) Credit File Maintenance
- (II) Facility Evidence Maintenance

3. Identifying Problem Loan

After reviewing the accounts and inspection the stocks on the basis of the discussions with the borrowers and branch manager, the inspection officials submit what is called a list of major irregularities or a list of serious irregularities highlighting certain aspects of the advances, which require immediate or urgent action for setting-right the irregularities or for securing the bank interests. To maintain a continuous asset quality, credit department must be concerned about the problem loans.

4. Supervision of Credit

One of the most important tasks before the banks today is the follow-up and supervision of the credit provided by them. Banks have started financing in an increasing measure to priority and preferred sectors and as a result the demands for fund has increased substantially. Besides, credit is a scarce national resource and therefore proper and rational distribution of credit is very essential. In the circumstances, it is incumbent upon a banker to see that the advances granted to the borrowers are being utilized for the purpose, which they are given.

5. Early Warning Signals

When there is a “material change” in the borrower condition, present or expected the implications of which are not clear is known as early warning signals. The following items manifest complacency and should always be guarded against-----

- (I) Lack of adequate supervision of old and familiar borrower.

- (II) Dependence on oral information furnished by borrowers instead of reliable financial data.
- (III) Optimistic interpretation of known credit weakness based on past survival of recurrent hazard and distresses.

Prevention

- Understand client's business.
- Analyze client's financial conditions.
- Frequent visit to client.
- Perfected legal documentation.
- Investigate market rumors.
- Use credit bureau checking.

6. Classification of Credit

FSBL follows the Bangladesh Bank instructions strictly. Bangladesh Bank issued BCD circular no. 34 on 16-11-89. The circular provides the following guideline.

All types of loan and advances are divided into five categories. Those are---

- (I) Term Loan
- (II) Continuous Loan
- (III) Short Term
- (IV) Agricultural Credit and
- (V) Demand loan

BCD circular-34 treated as base for loan classification. But the time limit for overdue status has been changed. The 5th stage will be implemented from 1st January 1999. The criterion given here is according to this 5th stage classification of policy.

7. Classification procedure

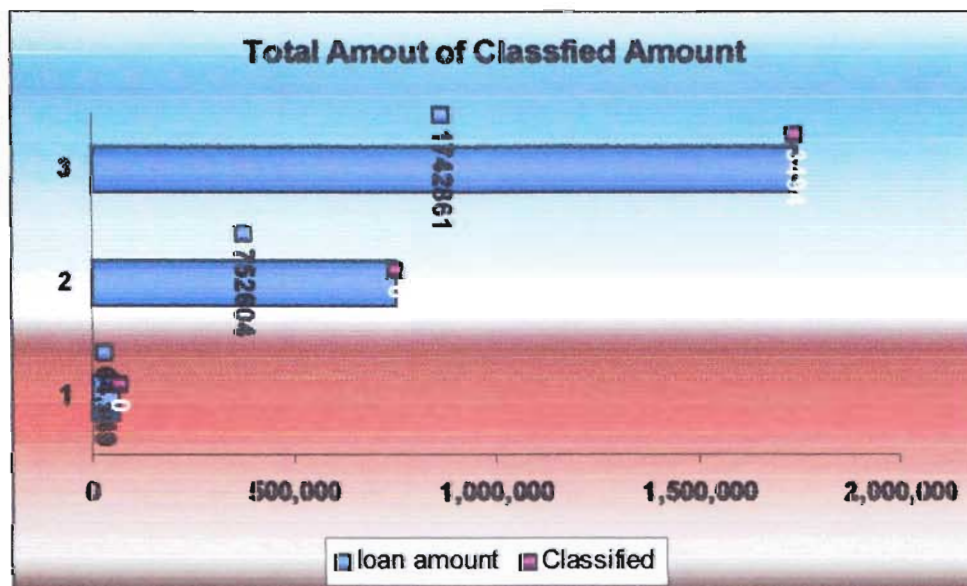
- (I) Unclassified: Loans those are not classified.
- (II) Substandard: The preliminary classification – status may be arisen for
- (III) Doubtful: Loans that are classified for a certain time and bank could not recover in the period are treated as doubtful.
- (IV) Bad and loss: Of which, possibility of recovery is virtually nil.

5th Stage Classification

Classification Status	Length of overdue	Rate of Provision
Unclassified	Below 6 months	1%
Substandard	6 to 9 months	20%
Doubtful	9 to 12 months	50%
Bad & Loss	12 months & above	100%

Total amount of Classified Loan of FSBL

Year	Total Loan Amount	Classified Amount	Unclassified Amount	% of Classified Loan
1999(31.12.99)	64,949	0.00	64,949	0.00%
2000(31.12.00)	7,52,604	0.00	7,52,604	0.00%
2001 (30.09.01)	17,42,861	3494	17,39,367	0.20%



Recovery Rate of Total Loan

Recovery Rate of Total Loan

Year	Recovery Rate
1999	100%
2000	100%
2001	99.80%



2.4 Foreign Exchange

Foreign Exchange is divided in three parts. They are---

1. Export
2. Import
3. Foreign Remittance

1. Export

By the term export we mean carrying out of anything from one country to another. As banker we define export as sending of visible things outside the country for sale. In a word export means goods are outwards and foreign currencies are inward.

Export trade plays a vital role in the development process of an economy. Export trade is always encouraged but anybody cannot export anything to any place. Export Registration Certificate (ERC) given by CCI & E is required for this purpose.

The exporter presents the relative documents to the negotiating bank after shipment of the goods. The L/C opening bank undertakes to honor its obligation only if the beneficiary fulfills the conditions stipulated in the L/C within the stipulated time. Even a slight deviation of the documents from these specified in the L/C may give an excuse to the issuing bank to refuse the reimbursement of the payment already made by the negotiating bank. So the negotiating bank must be careful to scrutinize the documents.

In order to export any goods or services to overseas the exporter must have attested photocopies of the following documents with the up to date ERC. The documents are as follows-

1. Bill of exchange
2. Commercial invoice
3. Certificate of origin
4. Packing list
5. Insurance coverage
6. Beneficiary certificate

If the bank authority satisfies with all the information provided by the exporter, steps are taken to smooth out the process of export.

Export Procedure

1. Export Mechanism

The export trade of the country is regulated by the exports and imports (control) Act, 1950. There are a number of formalities, which an exporter has to fulfill before and after shipment of goods. These formalities or procedures of export mechanism are enumerated as follows:

(i) Registration

The exports from Bangladesh are subject to export trade control exercised by the Ministry of commerce through Chief Controller of Imports and Exports (CCI &E). No exporter is allowed to export any commodity permissible for export from Bangladesh unless he or she is registered with CCI & E and holds valid Export Registration

Certificate (ERC). The ERC number is to be incorporated on EXP forms and other documents connected with exports.

(ii) Obtaining EXP

After having the registration, the exporter applies to the bank with trade license and ERC to get EXP. If the bank is satisfied, an EXP is issued to the exporter.

(iii) Securing the order

After registration, the exporter may proceed to secure the export order. Contracting the buyers directly through correspondence can do this.

(iv) Signing of the contract

While making a contract, the following points are to be mentioned-

- Description of the goods
- Quantity of the commodity
- Price of the commodity
- Shipment
- Insurance and marks
- Inspection

(v) Procuring the materials

After making the deal and on having the L/C opened in his favor, the next step for the exporter is to set about the task of procuring or manufacturing the contracted merchandise.

(vi) Shipment of goods

The following are the documents normally involved at the stage of shipment-

- EXP form
- Photocopy of registration certificate
- Photocopy of the contract
- Photocopy of the L/C
- Freight certificate from the bank in case of payment of the freight at the port of lading is involved.
- Railway receipt, Barge receipt or Truck receipt.
- Shipping instructions
- Insurance policy

After those, exporter submits all these documents along with a letter of Indemnity to the Bank for negotiation. An officer scrutinizes all the documents. If the document is a clean one, FSBL purchases the documents on the basis of banker-customer relationship. This is known as Foreign Documentary Bill Purchase (FDBP).

2. Procedure for FDBP:

After purchasing the documents, FSBL takes FDBP charges from customer's A/C. A FDBP register is maintained for recording all the particulars.

3. Foreign Documentary Bills for Collection

FSBL forwards the documents for collection. FDBC signifies that the exporter will receive payment only when the issuing bank gives payment. The exporter Submits Duplicate EXP Form and Commercial Invoice. An FDBC register is maintained where

first entry is given, when the documents are forwarded to the issuing bank for collection and the second one is after realization of the proceeds.

4. Advising L/C:

When export L/C is transmitted to the bank for advising the bank sends advising letter to the beneficiary depicting that L/C has been issued. The procedure of L/C advising is as follows-

- Verify the signatures
- Given entry in the L/C advising register.
- Issued voucher for L/C advising commission

Letter of Credit (L/C)

Letter of credit (L/C) is an arrangement between an importer and the bank (Issuing bank). The bank provides L/C in order to purchase goods from the exporter. The bank acts on the behalf of the clients to deal with exporter and the clients make the payments after receiving the goods accordingly.

Requirements of opening a L/C:

- Current deposit A/C holder
- IRC (Import registration certificate)
- Import policy
- L/C authorizing form duly registered
- L/C application duly fill up and sign
- Contract/Indent
- Insurance coverage
- Income tax document
- Contingency liability voucher
- L/C registration

Back-to-Back letter of Credit (BTB L/C)

A back-to-back letter of credit is a new credit. It is different from the original credit based on which the bank undertakes the risk under the back-to-back credit. In this case, the bank's main security is the original credit. The original credit (selling credit) and back to back credit (buying credit) are separate instruments independent of each other and in no way legally connected, although they both form part of the same business operation.

Requirements of opening a BTB L/C:

- Master L/C
- Valid Import Registration Certificate (IRC) & Export Registration Certificate (ERC)
- L/C application and LCA form duly filled in signed
- Pro-forma Invoice or Indent
- Insurance cover note with money receipt
- IMP form duly signed

So, a L/C, which is open against a Master L/C, is called BTB L/C. One or more L/C are opened against one Master L/C.

To know Master L/C and BTB here we used a simple example-

USA based 'X' Co. may have interested to buy ready-made garments from Bangladeshi based 'Y' Co, within the shipment date of 15th December 2001. So the USA Co. have to open a L/C in favor of Bangladeshi Co. that is Y Co. giving all specification with the help of a bank as per instruction of the beneficiary to a Bangladeshi bank where Y Co. operates its banking activities. This L/C is called Master L/C.

Master L/C is send by the USA party through telex or swift. When the Bangladeshi Co. receipts this L/C, then they start production. But this production needs so many components, such as, yarn, fabrics, accessories, packing materials, etc. These commodities are not always in hand. So, it must import from another country or brought

from local market. Say, within four commodities, two from foreign and from local market. So, Bangladeshi Y Co. are required to open another L/C in favor of another two foreign companies. These two L/C is called BTB L/C. because these two L/C are opened on the basis of Master L/C.

Types of BTB L/C:

There are three types of BTB L/C. They are-

- Local BTB L/C
- Foreign BTB L/C
- EPZ (Another type of foreign BTB L/C)

Opening Process of a L/C

The opening of a L/C is discussed bellow-

1. Approach by the applicant (party) with submission of under mentioned documents:

- Approach letter
- L/C agreement
- L/C authorization form (For foreign & EPZ L/C)
- IMP Form (For Foreign & EPZ L/C)
- Pro-forma Invoice or Indent
- Insurance (For Foreign & EPZ L/C)

2. Preparation of proposal by the branch. Parts of a proposal are stated bellow:

- Name and address of the applicant
- Nature of constitution with name of owners
- Nature of business

- IRC no. & TIN no.
- Commodity to be imported
- Beneficiary's name & address
- Beneficiary's credit report
- Country of origin
- Mode of shipment
- Export L/C details
- Liability
- Security
- Other conditions
- Recommendation

3. **On receipt of approval from the competent authority, branch issues L/C.**

4. **On the issuance of L/C, Branch may use the printed copy as prepared by the individual bank or developed by the concerned official. Related copies are stated bellow-**

- Original Copy
- Applicant Copy
- Advising Bank Copy
- Issuing Bank Copy
-
- CCI & E Copy (only for foreign L/C)

5. **Parts of a L/C are discussed bellow-**

- The L/C may be irrevocable or revocable document.
- L/C opening date must be mentioned.
- L/C number (such as for local-01/FSBL/L.68/BB/01 &

For foreign – 01/FSBI/38/BB/01).

- Beneficiary's name with addresses
- Applicant's name with addresses
- Advising bank (the bank that is referred to by the Beneficiary, sometimes it is decided by the branch)
- Amount (total BTB L/C value)
- Date of shipment
- Sight
- Date & place of expiry (the validity of L/C & documents presentation time)
- Pro-forma Invoice with date that had been sent by the Beneficiary
- Documents are submitted such as how many copies of invoice, packing list, delivery chalan or truck receipt, certificate of origin, certificate of undertakings, cash incentive, CIB report, insurance cover note, Bill of exchange, etc.
- Other terms and conditions, such as, Master L/C number, partial shipment, transshipment, courier/telex, etc.
- Signature of authorized officials.

These are the procedures for opening a L/C. So, when the L/C is opened & signed by the authority then it is posted to the L/C opening register and prepared voucher for commission & fill in the agreement form. Then it sends to the applicant.

Documentation

Next step is documentation. When goods are shipped then they send the documents. At first prepare forwarding. Then arrange the following documents-

- Bill of exchange
- Bill of lading
- Commercial Invoice
- Packing list

- Certificate & other documents
- Any other documents as asked for by the opener

In case of shipment made by vessel, the bill of lading must be submitted with negotiable & non-negotiable copies with stamps. But in case of air, airway bill must be submitted with two copies without stamp.

Retirement

Next step is Retirement. This means wait for payment. When the beneficiary sends the goods, then they sent related documents for payment to the bank. The bank starts the retirement procedure. At first checking these documents with the L/C, L/C time, date number, invoice, terms & conditions, beneficiary's certificate. Certificate of origin, a certificate of undertakings by M.D. (in case of local), etc. then entry in the register and the number is posted to documents with seal in every page. The register number entry is called ABP. Then prepare lodgment & commission voucher and entry in the liability book for that amount. It must be mentioned that as per rules the amount, which is admissible, that must be entered in the liability register.

Payment

Next step is payment- local payment & foreign payment. They are discussed bellow-

Local payment

For local payment the bank used P.O (Pay order within Dhaka city) & Demand Draft (outside Dhaka city). The bank charged commission for that.

Foreign payment:

In case of foreign payment the procedure is totally different. For example- Bangladeshi Y Co. send payment USA X Co. The issuing bank prepares voucher for that amount. Then entry in the IBTA register, ETDA, then send to the ID (International division). ID

informed the BANK OF TOKYO- MITSUBISHI, NEW YORK BRANCH USA, which maintains liaison between the issuing bank & advising bank. Then the bank of Tokyo pays to the beneficiary after checking the authentication code.

After that, the Bangladeshi Co. is going for production and exported that goods with related documents. Then the Co. sent EXP form with invoice to the issuing bank. The EXP form is signed by single authority & sends to the Bangladesh Bank.

2. Import

Import is foreign goods and services purchased by customers, firms and Government in Bangladesh.

An importer must have Import Registration Certificate (IRC) given by Chief Controller of Import & Export (CCI & E) to import anything from other country.

Import procedure

Before making imports, the importer enters in to a purchase contract with foreign suppliers. If the suppliers have local agent, the importers obtain an indent and pro-forma invoice. If the suppliers have no local agents in Bangladesh, the importers holding valid IRC.

All importers in to Bangladesh are subject to opening of L/C. Import transaction are concluded with the help of documentary letter of credit established by the importer's bank in favor of supplier or Beneficiary and advised through the agent's bank located in the supplier's country.

Documents that are needed for opening an import L/C are listed bellow-

1. Party application duly signed and sealed by the opener.

2. At least four (4) copies of pro-forma invoice/indent duly signed and sealed by the opener and beneficiary/indenter
3. L/C application form (to be the bank) duly signed and sealed by the opener.
4. LCA/IMP forms duly signed and sealed by the opener.
5. L/C opening proposal approved by the opener authority mentioning L/C details.
6. Beneficiary credit report (if the L/C is more than US\$ 8000/- or BDT 500,000/- which ever is highest).
7. Insurance cover note with money receipt.

Import Mechanism

According to import & Export Control Act, 1950, the office of chief controller of import & Export provided the registration (IRC) to the importer. After obtaining this, person to secure a letter of Credit Authorization (LCA) from Bangladesh Bank. And then a person becomes a qualified importer. He is the person who instructs the opening bank to open an L/C. The import mechanisms are discussed bellow-

1. Importer's Application for L/C Limit/Margin

To have an import L/C limit, an importer submits an application to the import department. An officer scrutinizes this application and accordingly prepares a proposal and forwards it to the head office. If the Managing Director satisfies, he sanctions the limit and returns to the branch. Thus the importer is entitled for the limit.

2. The L/C application

After sanctioning the limit, an officer of FSBL makes a L/C application.

3. Scrutinization of L/C application

After making the L/C application, must be scrutinized by the authority.

4. Transmission of L/C

The transmission of L/C is done through tested telex or fax or mail to advise the L/C to the beneficiary.

5. Presentation of the Documents

The seller being satisfied with the terms and conditions of credit proceeds to dispatch, the required goods to the buyer and after that, has to present the documents evidencing dispatching of goods to the negotiating bank or before the stipulate expiry date of the credit. After receiving all the documents, the negotiating bank checks the documents against the credit. If the documents are found in order, the bank will pay accept or negotiate to FSBL..

6. Retirement of the Shipping Documents

On scrutiny, if it is found that the document drawn in conformity with the terms of the credit, i.e. the documents are in order, FSBL lodges the documents in PAD.

7. Payment Procedure of the import documents

This is the most sensitive task of the import department. the officials have to be very much careful while making payment. This task constitutes the following---

(i) Date of Payment

Usually payment is made within seven days after the documents have been received. If the payment is become deferred, the negotiating bank may claim interest for making delay.

(ii) Preparing Sale Memo

A Sale memo is made at B.C. rate to the customer. As the TT & OD rate is paid to the ID, the difference between these two rates is exchange trading. Finally, an inter Branch Exchange Trading credit Advice is sent to ID.

(iii) Requisition for the foreign currency

For arranging necessary fund for payment, a requisition is sent to the ID.

(iv) Transmission of telex

A telex is transmitted to the correspondent bank ensuring that payment is being made.

L/C Margin

L/C Margin varies from bank to bank and customer to customer. Generally it depends on the following factors---

- (i) Relationship between the banker and the client
- (ii) Seasonal Factor
- (iii) Feature of the goods

3. Foreign Remittance

Remittance is another factor of the FSBL from where it earns a lot of foreign exchange every year. Remittance menace to send or transfer money or money worth from one place to another. In this case, the bank acts as the media to transfer or remit the money. Against the service it charges some commissions from the client.

Drawing Arrangements:

Drawing Arrangements is made to facilitate remittance through concluding accounting relationship between a bank and corresponding, or an exchange house, which may exist in the following three forms of accounts.

1. **NOSTRO A/C:** A foreign currency account that a local bank maintains with another bank in abroad.
2. **VOSTRO A/C:** An account, which a foreign bank maintains with a local bank, is called VOSTRO A/C.
3. **LORO A/C:** An account, which a third party maintains with a foreign bank, is known as LORO A/C.

Types of Remittance

Generally, there are two types of Remittance:

1. **Foreign Inward Remittance:** The remittance in foreign currency, which is received from outside the country to our country is known as Foreign Inward Remittance. The remittance can be performed in two ways:
 - ✓ Visible Inward Remittance- such as export proceeds.
 - ✓ Visible Inward Remittance- such as family maintenance consultant fee etc. cash is remitted through TT (Telegraphic Transfer), DD (Demand Draft) etc.
2. **Foreign Outward Remittance:** Foreign Outward Remittance is funds remitted to overseas on behalf of the client. It is of two types:

- ✓ Visible Outward Remittance- such as, payment against import, sale of traveler's cheques etc.
- ✓ Visible Outward Remittance- such as membership fee, subscription fee etc.

Issuing T/C & endorsement of Dollar'

FSBL is an authorized dealer of American Express T/C. at the same time; they can sell T/C and dollar. Every morning they get a telex from the Head Office, which carries the rate of the foreign currency transaction of the day. The payment to the customer is made instantly by debiting "foreign bill purchases" account.

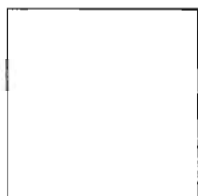
In **FSBL** foreign transactions are made by four foreign currencies.

- Great Britain Dollar (GBP)
- U.S Dollar (\$)
- EURO
- Yen (Y)

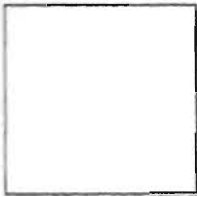
There are five types of foreign currency transaction a/c. they are as follow:



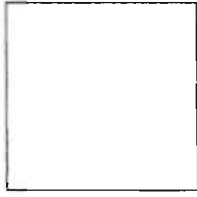
Foreign currency A/C (Wage)



Resident Foreign currency Deposit A/C



Non- Resident Foreign currency Deposit A/C



Foreign currency A/C Foreign



Foreign currency A/C Retention Quota

Chapter 3

Ratio analysis of FSBL, MTBL, &MTB

**Comparison of FSBL, MTBL, &MTB
&**

SWOT Analysis

Difference between the current assets and the current liabilities is known as the net working capital. It roughly measures the bank's potential reservoir for cash, manager often express net working capital as a proportion of total assets.

The formula for calculating the ratio net working capital to total assets has been shown in the following:

$$\text{Net Working Capital to Total Assets} = (\text{Net Working Capital}) / (\text{Total Assets})$$

The formula for calculating the current ratio has been shown in the following:

$$\text{Current Ratio} = (\text{Current Assets}) / (\text{Current Liabilities})$$

Efficiency Ratios

Efficiency or turnover ratios measure how productively the bank is using its assets. Two of the most important efficiency ratios are the following:

- a) Total Asset Turnover
- b) Net Working Capital Turnover

The total asset turnover ratio shows how hard the bank's assets are being put to use. It measures the revenue generated per dollar of assets. Now the formula for calculating the Total Asset Turnover has been shown in the following:

$$\text{Total Asset Turnover} = (\text{Total Operating Income}) / (\text{Total Asset})$$

Again the formula for calculating the Net Working Capital Turnover ratio has been shown in the following:

$$\text{Net Working Capital Turnover} = (\text{Total Operating Income}) / (\text{Net Working Capital})$$

Profitability Ratios are used to measure the bank's return on its investments. Some of the important profitability ratios for measuring the performance of a bank are the following:

- a) Net Profit Margin
- b) Return on Equity (ROE)
- c) Return on Assets (ROA)
- d) Net Bank Operating Margin

Net Profit Margin is the proportion of bank's revenue that finds its way into profits. It reflects the effectiveness of cost control and service pricing policies. The formula for calculating the net profit margin has been shown in the following:

$$\text{Net Profit Margin} = (\text{Net Profit after Taxation}) / (\text{Total Operating Income})$$

Return on Assets (ROA) is a managerial efficiency indicator, and it shows how successfully the management has been converting the bank's assets into net earning. The formula for calculating the Return on Assets (ROA) has been shown in the following:

$$\text{Return on Assets (ROA)} = (\text{Net Profit after Taxation}) / (\text{Total Assets})$$

Return on Equity (ROE) is the rate of return flowing to bank's shareholders. The net benefit the investors have received from investing their capital in the bank. The formula for calculating the Return on Equity (ROE) has been shown in the following:

$$\text{Return on Equity (ROE)} = (\text{Net Profit after Taxation}) / (\text{Total Shareholders' Equity})$$

Net Banking Operating Margin measures how large a spread between operating revenues and operating expenses management has been able to achieve by control over the bank's earning assets and the pursuit of the cheapest sources of fund. The formula for calculating the Net Banking Operating Margin has been shown in the following:

Profitability Ratio

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Net Banking Operating Margin measures how large a spread between operating revenues and operating expenses management has been able to achieve by control over the bank's earning assets and the pursuit of the cheapest sources of fund. The formula for calculating the Net Banking Operating Margin has been shown in the following:

Net Banking Operating Margin = (Total Operating Income – Total Operating Expenses) / (Total Assets)

The ratio analysis of First Security Bank Ltd

The total liabilities and total assets of First Security Bank in the years 1999, 2000 have been shown in the following table.

Name of the Components	Years 1999 (in Taka)	Year 2000(in Taka)
Total Liabilities	1,216,972,473	1,706,251,162
Total Assets	1,409,279,762	1,906,980,759

of First
in the

The Total Debt Ratio of First Security Bank of branches in the year 1999 and 2000

Total Debt Ratio of FSBL

Name of the Ratio	Year 1999	Year 2000
Total Debt Ratio	0.8635	0.8947

From the above table, we find that the total debt ratio of First Security Bank Ltd. Has increased from year to year. So, we can say that the bank's total liabilities in terms of total assets have increased from year to year.

The current assets, current liabilities, net working capital, and total assets of First Security Bank for Bangladesh Branches in the years of 1999, 2000 have been shown in the following table:

The current assets, current liabilities, net working capital, and total assets of First Security Bank for Bangladesh Branches in the years of 1999, 2000

Name of the Components	Year 1999(in Taka)	Year 2000(in Taka)
Current Asset	1,275,205,560	801,575,361
Current Liabilities	392,074,935	539,470,862
Net Working Capital	883,130,625	262,104,499
Total Assets	1,409,279,762	1,906,980,759

Using the formulas and the data from the above table, the Net Working Capital to Total Assets and the Current Ratio of First Security Bank for Bangladesh Branches in the years of 1999, 2000 have been calculated in the following:

The Net Working Capital to Total Assets and the Current Ratio of First Security Bank for Bangladesh Branches in the years of 1999, 2000

Name of the Ratio	Year 1999	Year 2000
Net Working Capital to Total Assets	0.6266	0.1374
Current Ratio	3.2524	1.4858

From the above table, we find that the net working capital to total assets has been decreased from year to year. The ratio shows the liquidity of the bank has been decreased from year to year.

Again, we find current ratio has decreased from year to year. It means that the bank's current assets in terms of current liabilities have been decreased from year to year.

The total operating income, current assets, current liabilities, net working capital, and total assets of First Security Bank for Bangladesh Branches in the years of 1999 and 2000 have been shown in the following table:

The total operating income, current assets, current liabilities, net working capital, and total assets of First Security Bank for Bangladesh Branches in the years of 1999 and 2000 have been shown in the following table:

Name of the Components	Year 1999(in Taka)	Year 2000(in Taka)
Total Operating Income	925,815	67,568,115
Current Asset	1,275,205,560	801,575,361
Current Liabilities	392,074,935	539,470,862
Net Working Capital	883,130,625	262,104,499
Total Assets	1,409,279,762	1,906,980,759

Using the formulas and the data fro the above table, the Total Asset Turnover and the Net Working Capital Turnover ratios of First Security Bank Ltd. For Bangladesh Branches in the years of 1999 and 2000 have been calculated in the following table:

The Total Asset Turnover and the Net Working Capital Turnover ratio of First Security Bank Ltd. For Bangladesh Branches in the years of 1999 and 2000

Name of the Ratios	Year 1999	Year 2000
Total Asset Turnover	0.0007	0.0354
Net Working Capital Turnover	0.0010	0.2578

From the above table, we find that the total asset turnover has decreased from the year 1999 to the 2000. It means that the bank could not utilize its assets in the year 1999.

The net profit after taxation, total operating income, total operating expense, total assets and total shareholders' equity of First Security Bank Ltd for Bangladesh Branches in the years 1999 and 2000 have been shown in the following table:

The net profit after taxation, total operating income, total operating expense, total assets and total shareholders' equity of First Security Bank Ltd for Bangladesh Branches in the years 1999 and 2000

Name of the Components	Year 1999(in Taka)	Year 2000(in Taka)
Net Profit after Taxation	(7,692,711)	8,422,307
Total Operating Income	925,815	67,568,115
Total Operating Expense	7,973,840	50,941,717
Total Assets	1,409,279,762	1,906,980,759
Total Shareholders' Equity	192,307,289	200,729,597

The Net Profit Margin, Return on Assets (ROA), Return on Equity (ROE) and Net Bank Operating Margin ratio of First Security Bank Ltd. For Bangladesh Branches

Name of the Ratios	Year 1999	Year 2000
Net Profit Margin	-8.3091	0.1246
Return on Assets (ROA)	-0.0055	0.0044
Return on Equity (ROE)	-0.0400	0.0419
Net Bank Operating Margin	-0.0050	0.0087

The net profit margin of 1999 shows that FSBL was suffering from loss but in 2000 they become able to recover this loss. From -8.3091 at 1999 to 0.1246 shows that the bank's performance is quite impressive. Return on assets indicates the net return on total investment of the firm. The return on asset of two years is -0.0055 in 1999 and 0.0044 in 2000, which shows though in 1999 FSBL suffers from loss but in 2000 the return on asset increase, which is good for the bank. The return on equity (ROE) measure the return earned on the owners' investment in the firm. Generally the higher this return the better off is the owners. Return on equity of FSBL of 1999 is -0.0400 and in 2000 is 0.0419, which means in 2000 the ROE is good of FSBL.

Ratio Analysis of Mutual Trust Bank Ltd

Leverage Ratios

The total liabilities and total assets of Mutual Trust Bank Ltd in the years 1999, 2000 have been shown in the following table:

Name of the Components	Years 1999 (in Taka)	Year 2000(in Taka)
Total Liabilities	547,680,359	2,236,300,971
Total Assets	747,767,449	2,444,784,535

Using the formula and the data from the above table, the Total Debt Ratio of Mutual Trust Bank Ltd of branches in the year 1999 and 2000 have been calculated in the following table:

The Total Debt Ratio of Mutual Trust Bank Ltd of branches in the year 1999 and 2000

Total Debt Ratio of MTBL

Name of the Ratio	Year 1999	Year 2000
Total Debt Ratio	0.7324	0.9147

From the above table, we find that the total debt ratio of Mutual Trust Bank Ltd has increased from year to year. So, we can say that the bank's total liabilities in terms of total assets have increased from year to year.

The current assets, current liabilities, net working capital, and total assets of Mutual Trust Bank for Bangladesh Branches in the years of 1999, 2000

Name of the Components	Year 1999(in Taka)	Year 2000(in Taka)
Current Asset	716,585,849	1,252,913,528
Current Liabilities	277,391,800	356,905,040
Net Working Capital	439,194,049	896,088,488
Total Assets	747,767,449	2,444,784,535

Using the formulas and the data from the above table, the Net Working Capital to Total Assets and the Current Ratio of Mutual Trust Bank Ltd for Bangladesh Branches in the years of 1999, 2000 have been calculated in the following:

The Net Working Capital to Total Assets and the Current Ratio of Mutual Trust Bank Ltd for Bangladesh Branches in the years of 1999, 2000

Name of the Ratio	Year 1999	Year 2000
Net Working Capital to Total Assets	0.5873	0.3664
Current Ratio	2.5833	3.5104

From the above table, we find that the net working capital to total assets has been decreased from year to year. The ratio shows the liquidity of the bank has been decreased from year to year.

Again, we find current ratio has increased from year to year. It means that the bank's current assets in terms of current liabilities have been increased from year to year.

The total operating income, current assets, current liabilities, net working capital, and total assets of Mutual Trust Bank Ltd for Bangladesh Branches in the years of 1999 and 2000 have been shown in the following table:

The total operating income, current assets, current liabilities, net working capital, and total assets of Mutual Trust Bank Ltd for Bangladesh Branches in the years of 1999 and 2000 have been shown in the following table:

Name of the Components	Year 1999(in Taka)	Year 2000(in Taka)
Total Operating Income	241,643	28,521,621
Current Asset	716,585,849	1,252,913,528
Current Liabilities	277,391,800	356,905,040
Net Working Capital	439,194,049	896,088,488
Total Assets	747,767,449	2,444,784,535

Using the formulas and the data from the above table, the Total Asset Turnover and the Net Working Capital Turnover ratios of Mutual Trust Bank Ltd. For Bangladesh Branches in the years of 1999 and 2000 have been calculated in the following table:

The Total Asset Turnover and the Net Working Capital Turnover ratio of Mutual Trust Bank Ltd. For Bangladesh Branches in the years of 1999 and 2000

Name of the Ratios	Year 1999	Year 2000
Total Asset Turnover	0.0116	0.00032
Net Working Capital Turnover	0.0318	.00055

From the above table, we find that the total asset turnover has decreased from the year 1999 to the 2000. It means that the bank could not utilize its assets in the year 1999.

Net Profit Margin is the proportion of bank's revenue that finds its way into profits. It reflects the effectiveness of cost control and service pricing policies. The formula for calculating the net profit margin has been shown in the following:

The net profit after taxation, total operating income, total operating expense, total assets and total shareholders' equity of Mutual Trust Bank Ltd for Bangladesh Branches in the years 1999 and 2000 have been shown in the following table:

The net profit after taxation, total operating income, total operating expense, total assets and total shareholders' equity of Mutual Trust Bank Ltd for Bangladesh Branches in the years 1999 and 2000

Name of the Components	Year 1999(in Taka)	Year 2000(in Taka)
Net Profit after Taxation	87,090	8,396,474
Total Operating Income	241,643	28,521,621
Total Operating Expense	2,578,234	32,193,292
Total Assets	747,767,449	2,444,784,535
Total Shareholders' Equity	200,087,090	208,483,564

The Net Profit Margin, Return on Assets (ROA), Return on Equity (ROE) and Net Bank Operating Margin ratio of Mutual Trust Bank Ltd For Bangladesh Branches

Name of the Ratios	Year 1999	Year 2000
Net Profit Margin	0.3604	0.2943
Return on Assets (ROA)	0.00012	0.0034
Return on Equity (ROE)	0.0004	0.0403
Net Bank Operating Margin	-0.0031	-0.0015

The net profit margin of MTBL of 2000 has increased from 1999, which shows the bank has made profit in 2000 and also shows good financial position of the bank. From 0.3604 at 1999 to 0.2943 shows that the bank's performance is quite impressive. Return on assets indicates the net return on total investment of the firm. The return on asset of two years is 0.00012 in 1999 and 0.0034 in 2000, which shows in 2000 MTBL the return on asset increase than year 1999, which is good for the bank. The return on equity (ROE) measure the return earned on the owners' investment in the firm. Generally the higher this return the better off is the owners. Return on equity of MTBL of 1999 is - 0.0004 and in 2000 is 0.0403, which means in 2000 the ROE is good of MTBL.

Ratio analysis of Mercantile Bank Ltd.

Leverage Ratios

Name of the Components	Years 1999 (in Taka)	Year 2000(in Taka)
Total Liabilities	3,159,566,340	9,015,519,188
Total Assets	3,411,445,407	9,364,500,236

Using the formula and the data from the above table, the Total Debt Ratio of Mercantile Bank Ltd of branches in the year 1999 and 2000 have been calculated in the following table:

The Total Debt Ratio of Mercantile Bank Ltd of branches in the year 1999 and 2000

Total Debt Ratio of MBL

Name of the Ratio	Year 1999	Year 2000
Total Debt Ratio	0.9262	0.9627

From the above table, we find that the total debt ratio of Mercantile Bank Ltd has increased from year to year. So, we can say that the bank's total liabilities in terms of total assets have increased from year to year.

The current assets, current liabilities, net working capital, and total assets of Mercantile Bank Ltd for Bangladesh Branches in the years of 1999, 2000 have been shown in the following table:

The current assets, current liabilities, net working capital, and total assets of Mercantile Bank Ltd for Bangladesh Branches in the years of 1999, 2000

Name of the Components	Year 1999(in Taka)	Year 2000(in Taka)
Current Asset	2,479,298,701	5,164,684,247
Current Liabilities	338,319,835	1,798,008,273
Net Working Capital	2,140,978,866	3,366,675,974
Total Assets	3,411,445,407	9,364,500,236

Using the formulas and the data from the above table, the Net Working Capital to Total Total Assets and the Current Ratio of Mercantile Bank Ltd for Bangladesh Branches in the years of 1999, 2000 have been calculated in the following:

The Net Working Capital to Total Assets and the Current Ratio of Mercantile Bank Ltd for Bangladesh Branches in the years of 1999, 2000

Name of the Ratio	Year 1999	Year 2000
Net Working Capital to Total Assets	0.6276	0.3595
Current Ratio	7.3283	2.8724

From the above table, we find that the net working capital to total assets has been decreased from year to year. The ratio shows the liquidity of the bank has been decreased from year to year.

Again, we find current ratio has decreased from year to year. It means that the bank's current assets in terms of current liabilities have been decreased from year to year.

The total operating income, current assets, current liabilities, net working capital, and total assets of First Security Bank for Bangladesh Branches in the years of 1999 and 2000 have been shown in the following table:

The total operating income, current assets, current liabilities, net working capital, and total assets of Mercantile Bank Ltd for Bangladesh Branches in the years of 1999 and 2000 have been shown in the following table:

<i>Name of the Components</i>	<i>Year 1999(in Taka)</i>	<i>Year 2000(in Taka)</i>
Total Operating Income	52,361,446	304,297,088
Current Asset	2,479,298,701	5,164,684,247
Current Liabilities	338,319,835	1,798,008,273
Net Working Capital	2,140,978,866	3,366,675,974
Total Assets	3,411,445,407	9,364,500,236

Using the formulas and the data fro the above table, the Total Asset Turnover and the Net Working Capital Turnover ratios of Mercantile Bank Ltd For Bangladesh Branches in the years of 1999 and 2000 have been calculated in the following table:

The Total Asset Turnover and the Net Working Capital Turnover ratio Mercantile Bank Ltd For Bangladesh Branches in the years of 1999 and 2000

Name of the Ratios	Year 1999	Year 2000
Total Asset Turnover	0.0153	0.0325
Net Working Capital Turnover	0.0245	0.0904

From the above table, we find that the total asset turnover has decreased from the year 1999 to the 2000. It means that the bank could not utilize its assets in the year 1999.

The net profit after taxation, total operating income, total operating expense, total assets and total shareholders' equity of Mercantile Bank Ltd for Bangladesh Branches in the years 1999 and 2000 have been shown in the following table:

The net profit after taxation, total operating income, total operating expense, total assets and total shareholders' equity of Mercantile Bank Ltd for Bangladesh Branches in the years 1999 and 2000

Name of the Components	Year 1999(in Taka)	Year 2000(in Taka)
Net Profit after Taxation	6,879,067	97,061,356
Total Operating Income	52,361,446	304,297,088
Total Operating Expense	32,216,516	112,169,732
Total Assets	3,411,445,407	9,364,500,236
Total Shareholders' Equity	251,879,067	348,981,048

The Net Profit Margin, Return on Assets (ROA), Return on Equity (ROE) and Net Bank Operating Margin ratio of Mercantile Bank Ltd For Bangladesh Branches

Name of the Ratios	Year 1999	Year 2000
Net Profit Margin	0.1314	0.3189
Return on Assets (ROA)	0.0020	0.0104
Return on Equity (ROE)	0.0273	0.2781
Net Bank Operating Margin	0.0059	0.0205

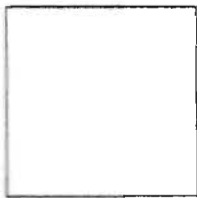
The net profit margin of MBL of 2000 has increased from 1999, which shows the bank has made profit in 2000 and also shows good financial position of the bank. From 0.1314 at 1999 to 0.3189 shows that the bank's performance is quite impressive. Return on assets indicates the net return on total investment of the firm. The return on asset of two years is 0.0020 in 1999 and 0.0104 in 2000, which shows in 2000 MBL the return on asset increase than year 1999, which is good for the bank. The return on equity (ROE) measure the return earned on the owners' investment in the firm. Generally the higher this return the better off is the owners. Return on equity of MBL of 1999 is 0.0273 and in 2000 is 0.2781, which means in 2000 the ROE is good of MBL.

**Comparison of financial analysis
Of First Security Bank, Mutual Trust Bank and
Mercantile Bank Ltd.**

Leverage Ratio

The total Debt Ratio of FSBL, MTBL & MTB

Bank's Name	Year 1999	Year 2000
First Security Bank Ltd	0.8635	0.8947
Mutual Trust Bank Ltd	0.7324	0.9147
Mercantile Bank Ltd.	0.9262	0.9627

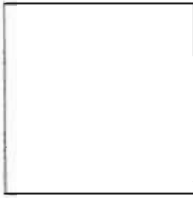


The total debt ratio of three banks show that Mercantile Bank is in good position in compare to other two banks.

Liquidity Ratio

Current Ratio of FSBL, MTBL & MTB

Bank's Name	Year 1999	Year 2000
First Security Bank Ltd	3.2524	1.4858
Mutual Trust Bank Ltd	2.5833	3.5104
Mercantile Bank Ltd.	7.3283	2.8724



The current ratio of three banks show that Mercantile Bank was in very good position in 1999 but in 2000 though its current asset decreased but Mutual Trust Bank is in good position compare to other two banks.

Net Working Capital to Total Assets Ratio of FSBL, MTBL & MTB

Bank's Name	Year 1999	Year 2000
First Security Bank Ltd	0.6266	0.1374
Mutual Trust Bank Ltd	0.5873	0.3664
Mercantile Bank Ltd.	0.6276	0.3595



Here in 1999 all three banks' condition was same but in 2000 FSBL's Net Working Capital to Total Asset fall down than other two banks.

Efficiency Ratio

Total Asset Turnover of FSBL, MTBL & MTB

Bank's Name	Year 1999	Year 2000
First Security Bank Ltd	0.0007	0.0354
Mutual Trust Bank Ltd	0.0116	0.00032
Mercantile Bank Ltd.	0.0153	0.0325

Total Asset Turnover of FSBL, MTBL & MTB



Net Working Capital Turnover of FSBL, MTBL & MTB

Bank's Name	Year 1999	Year 2000
First Security Bank Ltd	0.0010	0.2578
Mutual Trust Bank Ltd	0.0318	0.00055
Mercantile Bank Ltd.	0.0245	0.0904

Net Working Capital Turnover of FSBL, MTBL & MTB



Profitability Ratio

ROA of FSBL, MTBL & MTB

Bank's Name	Year 1999	Year 2000
First Security Bank Ltd	-0.0055	0.0044
Mutual Trust Bank Ltd	0.00012	0.0034
Mercantile Bank Ltd.	0.0020	0.0104

ROA of FSBL, MTBL & MTB



ROE of FSBL, MTBL & MTB

Bank's Name	Year 1999	Year 2000
First Security Bank Ltd	-0.0400	0.0419
Mutual Trust Bank Ltd	0.0004	0.0403
Mercantile Bank Ltd.	0.0273	0.2781

ROE of FSBL, MTBL & MTB



Net Profit Margin of FSBL, MTBL & MTB

Bank's Name	Year 1999	Year 2000
First Security Bank Ltd	-8.3091	0.1246
Mutual Trust Bank Ltd	0.3604	0.2943
Mercantile Bank Ltd.	0.1314	0.3189

Net Profit Margin of FSBL, MTBL & MTB



Net Bank Operating Margin of FSBL, MTBL & MTB

Bank's Name	Year 1999	Year 2000
First Security Bank Ltd	-0.0050	0.0087
Mutual Trust Bank Ltd	-0.0031	-0.0015
Mercantile Bank Ltd.	0.0059	0.0205

SWOT Analysis

SWOT Analysis is an important tool for evaluating the companies Strengths, Weaknesses, Opportunities and Threats. It helps the organization to identify hoe to evaluate its performance and scan the macro environment, which is turn would help the organization to navigate in the Turbulence Ocean of competition. Following is given the SWOT analysis of FSBL----

Strengths

1. Top Management

The top management of the bank, the key strength for the FSBL has contributed heavily towards the growth and development of the bank. The top management officials all have had reputed banking experience, skill and proficiency.

2. Company Reputation

FSBL has created a good reputation in the banking industry of the country mainly among the new comers. FSBL has already established a firm grip in the banking sector having tremendous growth in the profits and deposits with in a phase of five years.

3. Sponsors

FSBL has been founded by a group of prominent entrepreneurs of the country. The sponsors' directors belong to large industrial conglomerates of the country. **Shikder Group** is the Head of the Board of Directors, former Director of National Bank Ltd. Beside this another giant name in directors list is Mr. S. Alam

4.Modern Facilities and Computer

From the very beginning FSBL tries to furnish their work surroundings with modern equipment and facilities. For speedy service to the customer, FSBL had installed money-counting machine in the teller counter. The bank has computerized banking operation under software called PC Bank. More over computer printed statements are available to internal use and occasionally for the customers. FSBL are equipped with telex and fax facilities.

5.Stirring Branches

From the formative stage of FSBL tried to furnish their branched by the impressive style. Their well-decorated branches gets attention of the potential customer, this is one kind of positioning strategy. The Dilkusha branch is also impressive and is comparable of foreign banks.

6. Interactive Corporate Culture

The corporate culture of FSBL is very much interactive compare to other local organization. This interactive environment encourages the employee to work attentively. Since the banking job is very much routine work oriented, FSBL friendly, interactive and lovely environment boosts up the work capability of the employees.

Weaknesses

1.Disguised Employment

Reference employment is very much effective in FSBL. There are many employees who are only drawing salaries at the end of the month but making a minimum contribution towards the organization. And this is related to the problem of reference appointment. On the other hand, officers work hard but are appreciated accordingly. Those frustrated are leaving the bank to the other bank.

2. Limitation of Information System (PC Bank)

PC Bank is not comprehensive banking software. It is desirable that a more comprehensive banking system should replace PC Bank system.

3. Low Remuneration Package

At the entry level and mid level officer's experience considerable low remuneration packages that some other local banks. This low pay structure does not attract potential people rather they are interested to join other banks instead of joining FSBL.

Opportunities

1. Diversification

FSBL can pursue diversification strategy in expanding its current line of business. The management can consider options for starting merchant banking or diversify in to leasing and insurance. By expanding business portfolio, FSBL can shrink business risk.

2. Credit Card and Tele Banking

These are new retail services provide by the foreign banks. FSBL can evaluate the option of launching Credit Card and Tele Banking system.

3. On Line Banking

FSBL should move towards on the On Line Banking operations. It is high time that they should go for this because some banks are already on to On Line Banking operation.

4. Serve Additional Customer Groups

5. Enter New Markets or segments.

6. Expand Product line to meet Broader Range of Customer Need.

Threats

1. Contemporary Banks

The contemporary banks of FSBL like, Dhaka Bank, Dutch Bangla Bank, National Bank, Mutual Trust Bank, Mercantile Bank are its major rivals. They are carrying out aggressive campaign to attract lucrative corporate clients as well as big time depositors. FSBL should remain vigilant about the steps taken by these banks, as these will in turn affect FSBL strategies.

2. Multinational Bank

The rapid expansion of multinational bank poses a potential threat to the new PCB's. Due to the booming energy sector, more foreign banks are expected to operate in Bangladesh. Moreover, the existing foreign banks such as, HSBC, AMEX, CITI and Standard Chattered Grindlays are now pursuing an aggressive branch expansion strategy. Since the foreign banks have tremendous financial strength, it will pose a threat to local bank to a certain extent in terms of grabbing the lucrative clients.

3. Upcoming Banks

The upcoming private local banks can also pose threats to existing PCB's. it is expected that in the next few years local private bank will emerge. If that happens the intensity of competition will rise further and banks will have to develop strategies to compete against the foreign banks.

4. Default Culture

Default culture is very much familiar in our country. For a bank, it is very harmful. As FSBL is new, it has not faced it seriously yet. However as the bank grows older it might become a big problem.

Chapter 4 and 5

Recommendation & Conclusion

Recommendation

In the light of the above studies, I have found that banking sector requires to be studied in right perspective and individual bank has map out its own course of action strategy to survive and to do good with the notion of survival of the fittest. I have attempted to draw some recommendation in the light of my study on **First Security Bank Limited**.

The objective of the study was to observe the practice in millennium banking service. In this day of my practical orientation in **First Security Bank Limited** I have observed the banking practice very closely and in this I give the description of my observation and recommendation. Those are given bellow---

1. Advanced Banking Software

The concerned authority should consider replacing the PC Bank system with more advanced banking software, because PC Banking software is not sufficient for providing speedy banking services.

2. Establishing Training System

FSBL does not have its own training institute. The officers take help from their senior executives. Otherwise bank authority sends their employees to the National Bank's institute. So, they must establish their own training institute. The establishment of owns training facility will enable the employees the bank to provide better services to the customer.

3. Restructure Recruitment Process

Recruitment should be in a systematic and effective process that can make sure that right people are in the right place. Now as the bank is expanding, it must focus on attracting, getting and retaining qualified personnel for filling up the positions

4. Avoid Reference Appointment Tendency

FSBL management and particularly the board of directors must change the system of appointing people by giving their reference. It has been observed that most of the reference employees are not up to standard. For the bright future of the bank reference appointment should be stopped immediately.

5. Up Grading of Service Quality

Compare to the other competitors FSBL failed to provide better service to its customers. The management must take special care and steps to improve this situation.

6. Increase Promotional Activities

FSBL should give an aggressive advertisement campaign to build up a strong image and reputation among the potential customers. It should come in to the limelight through an aggressive marketing campaign such as advertising in the telephone, newspaper and magazine, more billboard and neon signs, publicity message and promotional campaign. At present increasing the promotional activities new clients are getting attracted to those banks.

7. Restructuring Remuneration Package

The present compensation package at FSBL is not very attractive for quality personal to fill its position. Therefore, it is high time that the management should consider revising the remuneration package in order to attract quality human resources.

8. Appoint a Relationship Manager

FSBL should appoint a relationship manager (who will deal with individual customer and try to solve their problem) in their all branches. A relationship manager is the authorized person who will bridge the gap between the customer and the bank.

9. Use Modern Technology

To seize the market lending position FSBL should be innovative. They should always think about the present time and the requirement of the situation. They have to always implement modern technologies and facilities. In terms of modern technologies and services, they are far behind from other competitors.

10. More careful in Credit Operation

As the amount of loans and advance disbursement by the bank, the bank should be more careful about its credit operation. It should make its employees more trained and more skilled about the credit approval system.

11. Take interest in Project Loan

Now FSBL is in a good position. They should invest their amount in long project.

Based on the analysis I would like to suggest some strategies to make FSBL's performance better-----

- Planned and effective portfolio investment.
- Proper forecasting regarding the interest rate movement.
- Reducing credit risk by widespread credit analysis.
- Restricting the bad debt.
- Analyzing the credit worthiness of client.
- Education Loan for student
- Introduce ATM facility.
- International Banking services
- Loan in IT sector.

Conclusion

The First Security Bank Limited has been trying to operate its business successfully in Bangladesh since 1999. FSBL has already developed an image of goodwill among its clientele by offering its excellent services. This success has resulted from dedication, commitment and dynamic leadership of its management over the periods. During the short span of time of its operation, the bank has successfully grabbed a position as a progressive and dynamic financial institution in the country. If the bank goes this way, it is expected that in the near future FSBL may become one of the top performers in the banking sector.

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