

**INTERNSHIP REPORT**  
**ON**  
**GENERAL BANKING ACTIVITIES**  
**OF**  
**MERCANTILE BANK LIMITED**



Inspiring Excellence

**Submitted to**

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**Submitted by**

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**Submission Date: 3<sup>rd</sup> January, 2016**

# Letter of Transmittal

Date: 03-01-2016

Riyashad Ahmed  
Assistant professor &  
Coordinator, EMBA Program  
BRAC University  
Mohakhali, Dhaka-1212

Subject: Prayer for submission of internship report

Dear Sir,

It is the great chance for me to make an internship report on “**General Banking Activities of Mercantile Bank Limited, Ring Road Branch**”.By doing this report I found some strength and weakness of General Banking Activities of Mercantile Bank Limited, Ring Road Branch.

This report also help me learn the activities of the general banking in this branch and for that reason I mainly focus on general banking in my report.

I have tried my best to do better informative and structured report by the time which is allowed for me. But there are some mistakes may happen in terms of doing this report and for that reason I want your apology for those mistakes.

Please feel free to call me, if you have any quarry regarding this report or any other associated matters.

Yours sincerely

.....  
Md. Naimul Hossain  
Id: 11304079  
Program: BBA  
Major In Finance and Accounting  
Department of Business Studies  
BRAC University

## Students Declaration

I am Md. NaimulHossain, id: 11304079, major in finance and accounting. After doing three (2) months internship in Mercantile Bank Limited (MBL) I prepared this internship report which is titled by **“General Banking Activities of Mercantile Bank Limited, Ring Road Branch”**. This report is prepared on the basis of my practical experience which I was gained from my internship and I made this report to fulfill the requirement of my BBA degree in BRAC University, 66 Mohakhali,Dhaka 1212.

.....  
Md. Naimul Hossain

Id: 11304079

Program: BBA

Major In Finance and Accounting

Department of Business Studies

BRAC University

## Supervisor's Certificate

This is certify that the internship report on “**General Banking on Mercantile Bank Limited (MBL) Ring Road Branch**” has been prepared by Md. Naimul Hossain, Id: 11304079, Department of business studies, BRAC University under my supervision and guidance.

I wish every success in his life.

Supervisor

-----

Riyashad Ahmed  
Assistant professor &  
Coordinator, EMBA Program  
BRAC University  
Mohakhali, Dhaka-1212

## Acknowledgement

The internship opportunity I had with Mercantile Bank Limited, Ring Road Branch was a great chance for learning and professional development. Therefore, I consider myself as a very lucky person as I was provided with an opportunity to be a part of it and I am also grateful for having a chance to meet so many wonderful people and professionals who gave me the full support in my internship period.

At first, I would like to express my gratitude To **Ms. Mahmuda Akhter**, Branch Manager (Ring Road) of Mercantile Bank Ltd. for giving me the chance in doing my internship program of her branch which helps me to gain more knowledge about banking sector.

I am also obliged to express my thanks to Ms. Farzana Zaman (Senior Executive Officer), Ahmed Mansoor(Officer), Md. Abdul Kader Chowdhury(Officer), Sabrina Sharmin Mumu (Assistant Officer), JannatulFerdous ( Officer) and all Officers of Mercantile Bank Limited ( Ring Road Branch) for giving me the valuable information about their organization.

I express my indebtedness to my internship Supervisor Riyashad Ahmed (Assistant Professor) &Coordinator, EMBA Program), BRAC University who has helped me in concluding the study. So I want to give my gratitude to him for allowing me to do the report on “**General Banking Activities Of Mercantile Bank Ltd**”. So I want to thank him generosity.

Finally, would like to thank Mr. Kazi Abdul Waddod (2<sup>nd</sup> Manager) of Mercantile Bank Ltd. of the branch, for his support and engagement during my internship program.

## Executive Summary

Banking sector is the one of the stable financial institution of a country. Mercantile Bank Limited has upgrading their position and services and gaining a better position today and they are trying to be the most leading private commercial bank in Bangladesh and most leading financial institution in the banking sector. The date of this bank incorporated was MAY 20<sup>th</sup>, 1999. It started its operation on JUNE 2<sup>nd</sup>, 1999.

In this report I made some a small brief about the condition of “**General Banking Activities of Mercantile Bank Ltd. (Ring Road Branch)**”. Commercial banks are the primary contributors to the economy of a country and so I can say that commercial bank is a profit-making institution that holds the deposits of individuals & business checking & savings accounts and then uses these funds to make loans and for that reason people and the government is very much dependable on these banks as financial intermediary. As the banks are profit-earnings concern, they collect deposit at the lowest possible cost and provide loans and advances at highest cost. The differences between two are the profit for the bank.

The general banking department does the most important and basic works of the bank. All other departments are linked with this department. It also pays a vital role in deposit mobilization of the branch. MBL provides different types of accounts, locker service and special types of saving scheme under general banking.

At the end I have tried to show some suggestion for the promotion and betterment of the bank.

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# **CHAPTER 1**

## **Organizational Overview**

## 1.0 Introduction

Here, I will discuss about the banking sector and the show a brief about Mercantile Bank Ltd. which will help you to understand how the banks do their work. After all the details with the organizational overview which includes the history, vision, and mission. A bank is a financial institution whose main objective is the mobilization of fund from the surplus unit to deficit unit. In the process of acceptance of deposit and provision of loan, bank created money. This characteristics feature sets bank apart from other financial institutions. A bank is an economic institution whose main objective is to earn profit through exchange of money and credit instrument.

### 1.1 Organizational overview

Mercantile Bank Limited emerged as a new commercial bank to provide efficient banking services and to contribute socio-economic development of the country. The bank started its operation on JUNE 2. 1999. The authorized capital of the bank was BDT 9000.00 million of ordinary shares of BDT 100 each as on 21<sup>st</sup> December, 2010. Paid up capital of the bank was value of BDT 4072.21 million of 40,722,066 ordinary shares, face value of BDT 100 each and listed both in Dhaka and Chittagong stock exchange limited. The bank provides a board range of financial services to its customers and corporate clients. The board Directors consists of eminent personalities from the realm of commerce and industries of the country.

Mercantile Bank Limited is a scheduled private commercial bank establish on 20<sup>th</sup> May, 1999 under the bank company Act, 1991 and incorporated as a public limited company under companies Act, 1994. The bank started commercials banking operation from 2<sup>nd</sup> June, 1999. From then within a short time MBL establish itself in a strong position in the economy of the country. It has earned significant reputation in the country's banking sector as Bank and created a wide image in the eye of the people.

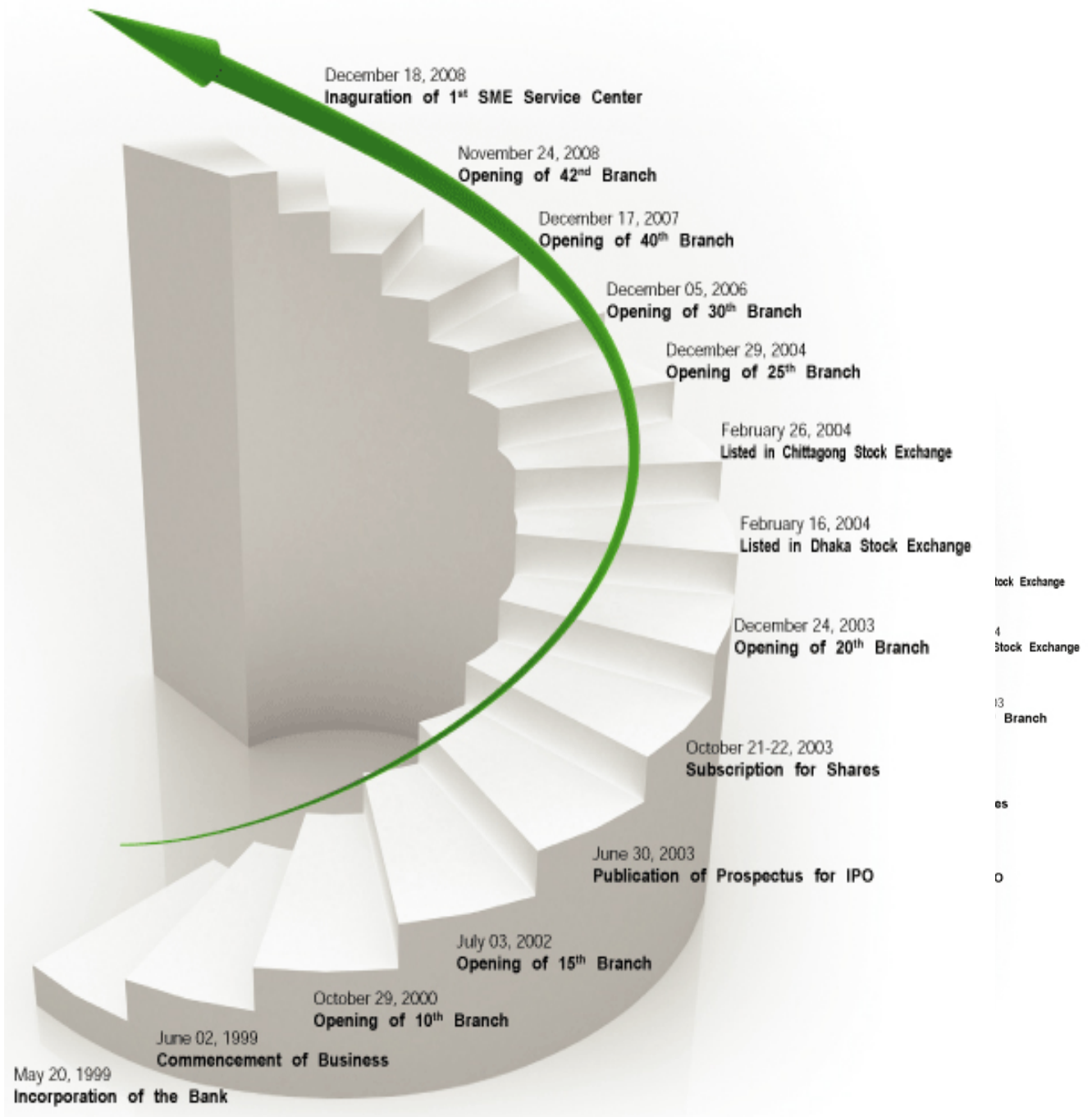
The dream of creating MBL, which is 'A Bank of 21<sup>st</sup> century', has become successful because of the initiative of some persons who are the sponsors of MBL. There are 20 sponsors in Mercantile Bank Limited and all of them are highly regarded for their entrepreneurial competence.

### 1.2 Historical background

The bank had been widely welcome by the business community, from small entrepreneurs for forward-looking business outlook and innovative financing solutions. This bank has earned significant reputation in the country's banking sector as a bank with vision. The company philosophy – **"Efficiency is our strength"** has been exactly the success of this bank.

Mercantile Bank Limited has been licensed by the Government of Bangladesh as a scheduled Bank in the private sector. This bank achieved a remarkable success within of itseight (9) years operation. There are twenty seven (27) sponsors of this bank who are highly regarded for their entrepreneurial

competence and they have strong belief on this bank. The board of directors consist of 20 members which are elected from those sponsor of the bank.



## Historical Background of MBL

### 1.3 vision, mission and core values

#### **Vision:**

- Would make finest corporate citizen.

#### **Mission:**

- Will become most caring, focused for equitable growth based on diversified development of resources, and nevertheless would remain healthy and gainfully profitable Bank.
- **Slogan:** Efficiency is our Strength.

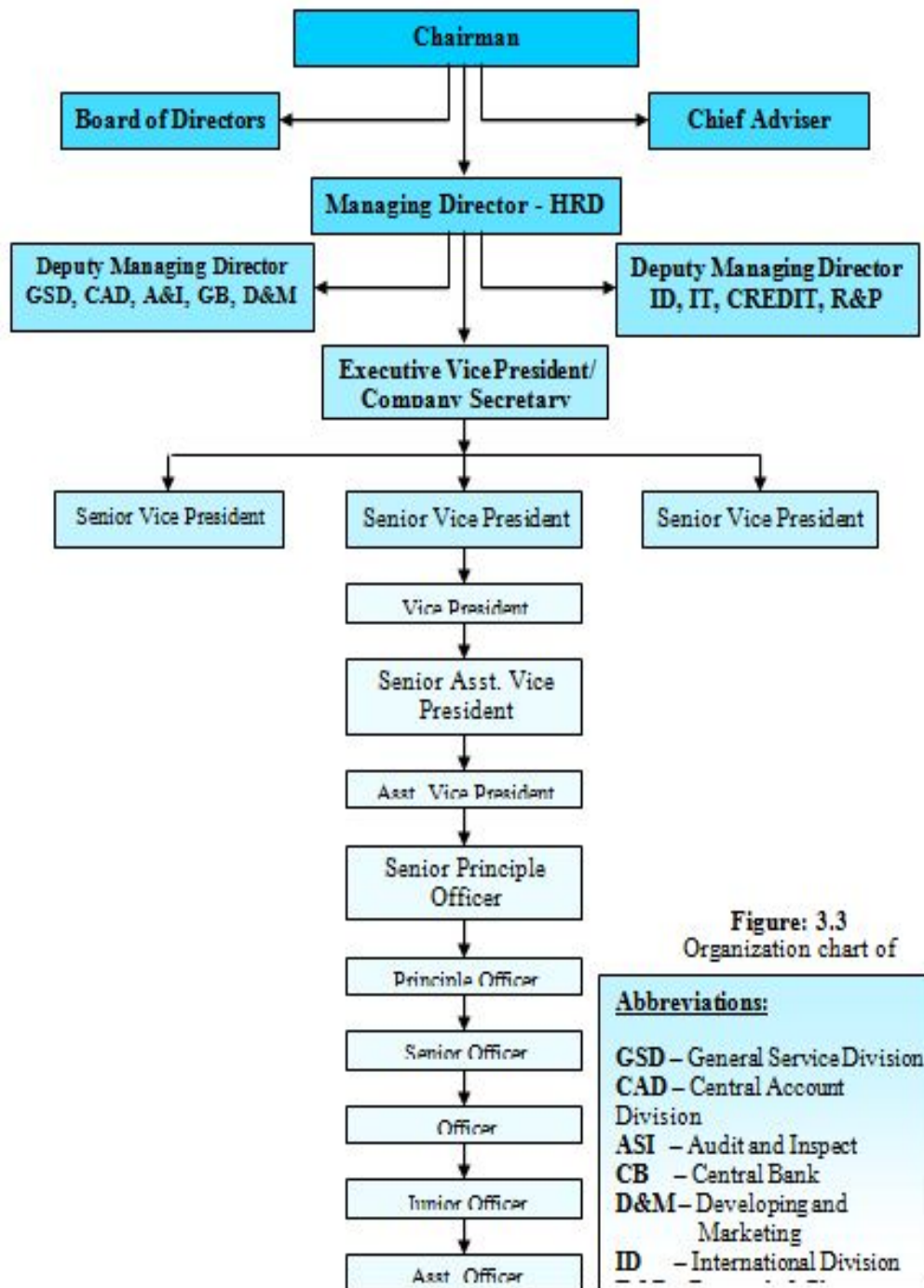
#### **Objectives:**

- **Strategic objectives**
  - To achieve positive Economic Value Added (EVA) each year.
  - To be market leader in product innovation.
  - To be one of the top three Financial Institutions in Bangladesh in terms of cost efficiency.
  - To be one of the top five Financial Institutions in Bangladesh in terms of market share in all significant market segments we serve.
- **Financial objectives**
  - To achieve a return on shareholders' equity of 20% or more, on average.

#### **Core values:**

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

## 1.4 Management Hierarchy of MBL



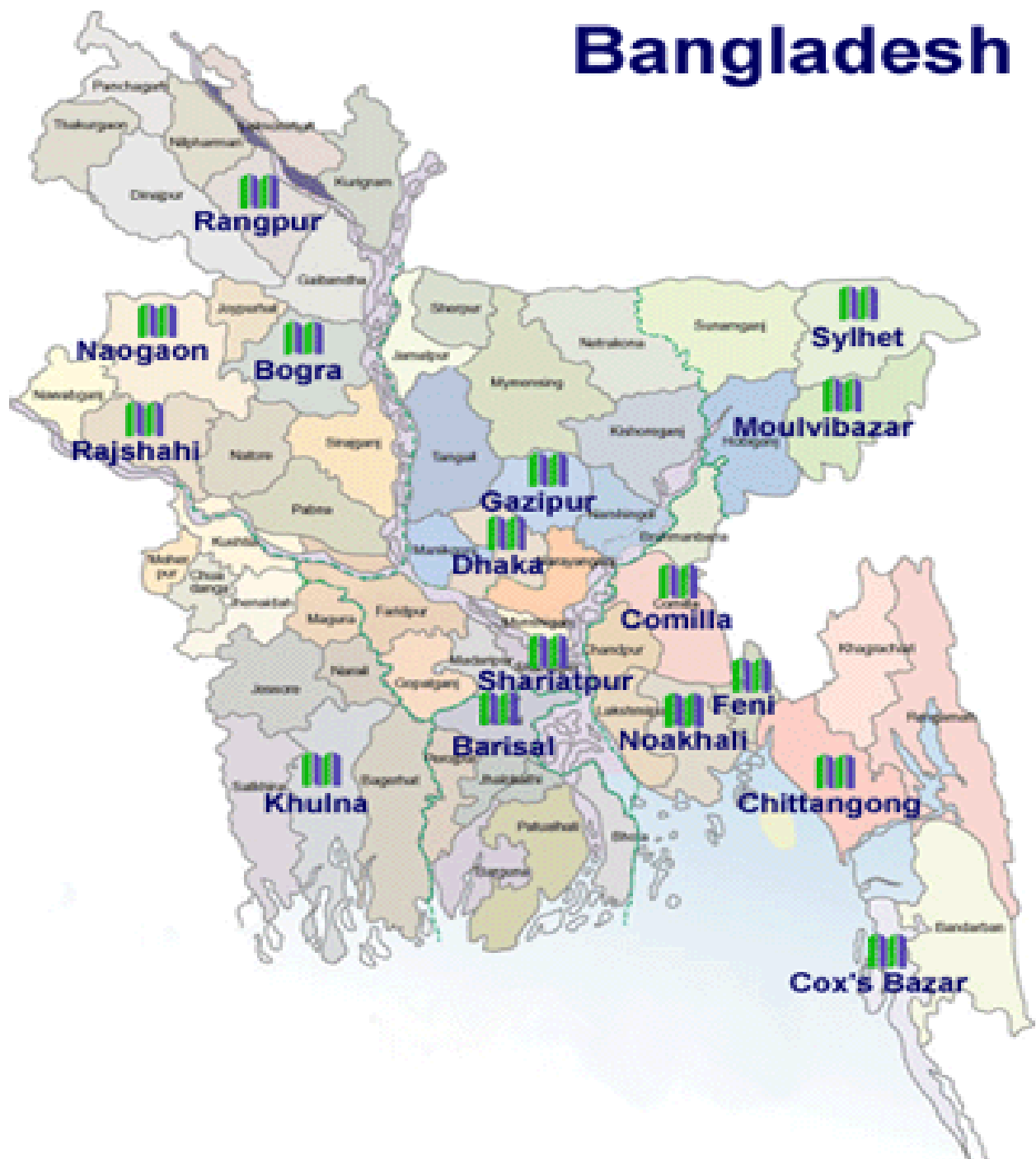
## Corporate level



## 1.5 Network and branches

MBL start from 1999 and now in 2015 they are trying to enhancing their number of branches. At this time they have 104 branches and in Bangladesh including 5 SME Banking & 70 ATM booths and 7 brokerage house. MBL Main Branch is Dhaka, Dilkhusha. Now MBL is trying to give banking service to all over the country.

Some branches of mercantile bank in Bangladesh



## **1.6 Function of Mercantile Bank Limited**

The function of commercial banks are now wide and varied. However, the functions of Mercantile Bank Ltd. may broadly be classified under the following two categories:

- A. Primary functions
- B. Secondary functions

### **Primary functions**

The primary function of Mercantile Bank Ltd. are as same as all other commercial banks. Those are:

- Accepts deposits
- Lend money
- Creates credit
- Creates medium of exchange

### **Secondary functions**

The subsidiary services provided by Mercantile Bank Ltd. as like as other modern is

- Agency services
- Generally utility services
- Foreign exchange business

## **1.7 Online banking**

Online banking has activated with 75 branches of the Bank from 1<sup>st</sup> January, 2012. Online service is now available for all customers both cash deposit and withdrawals, cheque deposit and transfer in CD, SB, STD, Loan accounts and Monthly Savings Scheme (MSS).

## **1.8 Services provided**

- General banking
- Credit or loan department
- Foreign exchange business



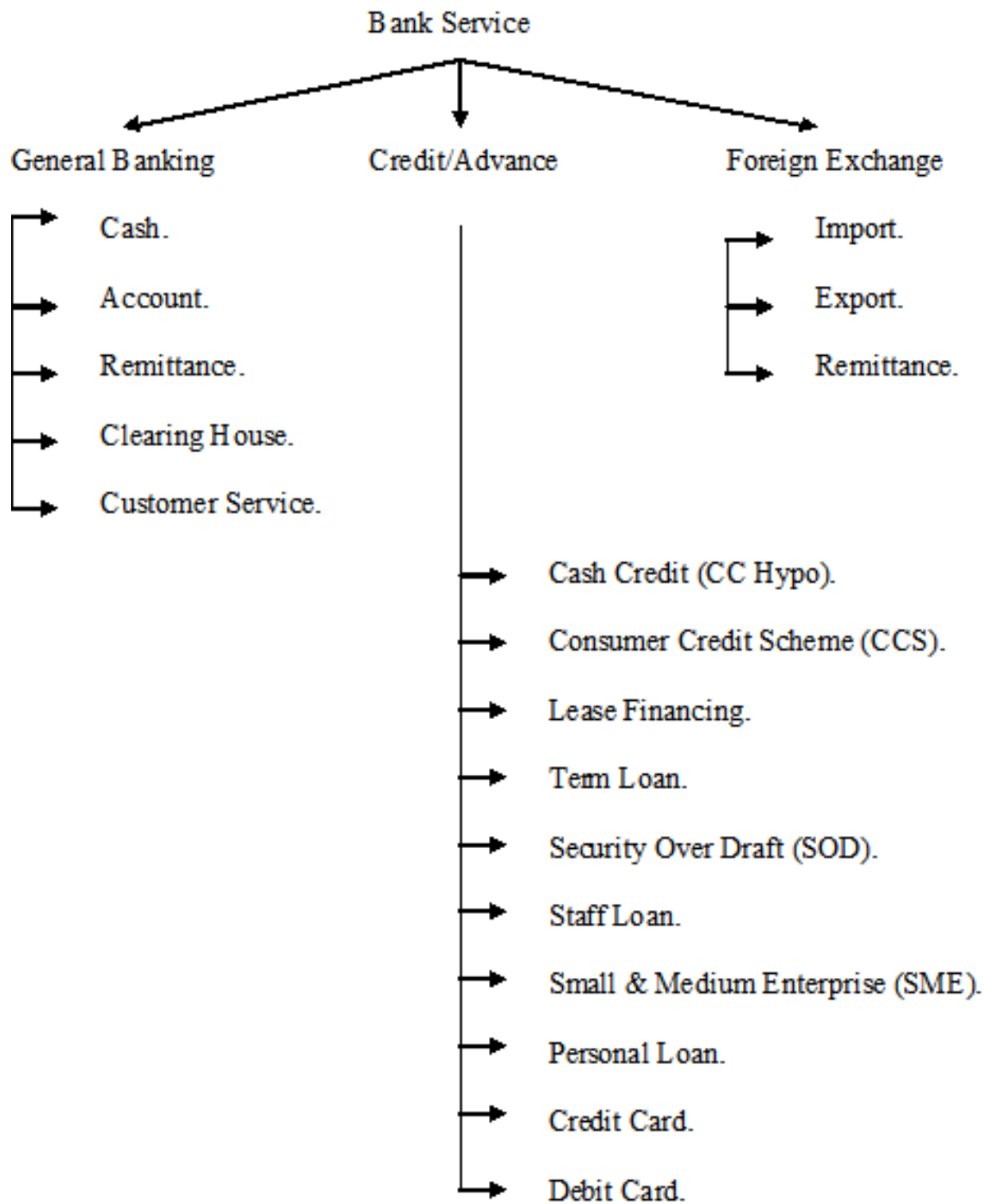


Figure: product and service offering by the Mercantile Bank Limited

# **CHAPTER 2**

**BANKING  
ACTIVITIES  
OF  
MERCANTILE BANK  
BANGLADESH  
LIMITED**

## 2.0 introduction

In the list of developing countries Bangladesh is now trying to be enlisted and this is only possible only because of the financial institutions and the commercial banks. So we should check those commercial banks whether those banks give that much importance in their work or not. As I am doing my internship in “**General Banking**” mercantile bank limited, ring road branch, I am focusing on their work in here. But in “**General Banking**” there is so many functions and I have covered most of all this like

- Account opening session
- Local remittance
- Deposit schemes section
- Accounts section
- Clearing section
- Collections section
- Cash section
- Locker section

## 2.1 Account opening

Opening an accounts is a contractual relationship between the customers and the banker but there is something which is called security. The banker have to aware about the customer whether he/she/they are fraud or not. For that reason, photocopy of National ID card and the utility bill copy of their present address is must for opening an account. There are 3 types of account.

### 2.1.1 Types of account

- Current account
- Saving account
- Fixed deposit account

#### 2.1.1.1 Current deposit (CD) account

Current deposit account is on the basis of current transection without restriction and this account is very much suitable for the customers because they can deposit and withdrawal unlimited money in here. This account will not cut any interest. Types of current account are:

- Individuals
- Two or more persons jointly
- Sole proprietorship
- Partnership firms
- limited companies ( both public & private)

- Societies/clubs/associations/local bodies
- Banks
- Govt./ semi govt. offices/ corporations/

## **Required documents**

### **Personal account**

- Name of applicant (s) together with name(s) of parents and spouse (s)
- Present address
- Date of birth nationality
- TIN(if any)
- Duly attested photocopy of valid passport/employer's certificate/id card/ driving license/ voter ID card/ national id or certificate about credentials by the local ward commissioner/chairman of union parishad.
- Two copies of recent passport size photographs of account holder duly attested by the introducer
- One copy of passport size photograph of nominee duly attested by the account holder.
- Copies of utility bills.

### **2.1.1.2 Savings Bank (SB) Deposit**

This account is only for those person who wants to save their money and whenever they want they can withdraw it. The interest rate on saving account is 4.5% now in daily basis.

Savings account is being opened as a name of

- Individual
- Two or more
- Minor jointly with natural legal guardian
- Clubs/ societies/ associations or similar instructions

## **Required documents**

### **Personal account**

- Name of applicant (s) together with name(s) of parents and spouse (s)
- Present address
- Date of birth nationality
- TIN(if any)

- Duly attested photocopy of valid passport/employer’s certificate/id card/ driving license/ voter ID card/ national id or certificate about credentials by the local ward commissioner/chairman of union parishad.
- Two copies of recent passport size photographs of account holder duly attested by the introducer
- One copy of passport size photograph of nominee duly attested by the account holder.
- Copies of utility bills.

**2.1.1.3 Fixed Deposit Receipt (FDR)**

In this term customer deposit the fixed amount of money and there is some required interest rate in FDR which is depend on the time period of that FDR. FDR can be opened in the name of

- Individual
- Two or more persons
- Sole proprietorship
- Partnership concern
- Limited companies
- Clubs/ societies/ associations or similar instructions

The rate of FDR is now

Period	Interest r ate for any amount
1 month FDR	5%
2 months to 6 months FDR	6%
Above 6 months to 1 year	6.25%
1 year to above	6.5%

**Required documents**

Personal account:

- Name of applicant (s) together with name(s) of parents and spouse (s)
- Present address
- Date of birth nationality
- TIN(if any)
- Duly attested photocopy of valid passport/employer’s certificate/id card/ driving license/ voter ID card/ national id or certificate about credentials by the local ward commissioner/chairman of union parishad.
- Two copies of recent passport size photographs of account holder duly attested by the introducer

- One copy of passport size photograph of nominee duly attested by the account holder.
- Copies of utility bills.

## **2.1.2 Activities & papers necessary for opening account**

### **2.1.2.1 Joint account**

If the account is joint account then both of the account holder have to submit the declaration of operational instructions along with their signature.

### **2.1.2.2 Partnership firm**

Partnership accounts is being opened depending some documents. Those are like

- Firm name
- Partnership deed
- Trade license from City Corporation is needed
- Letter of authority is achieved

### **2.1.2.3 Limited company**

There is also some documents is needed for opening limited company account like:

- A copy of resolution that the company decided to open an account in mercantile bank limited
- Certified true copy of the memorandum & articles of association of the company
- Certificate of incorporation of the company for inspection and return along with a duly certified photocopy for bank's records
- Certificate from the register of joint stock companies that the company is entitled to commence business (in case if public ltd. Co. for inspection and return) along with a duly certified photocopy for bank's records.
- Latest copy of balance sheet
- List of directors with address

### **2.1.2.4 Club/society**

- Following documents is needed for the account of club/society:
- Up to date list of office bearers
- Certified copy of resolution for opening an account
- Certified copy of bye-law and regulations/constitution
- Copy of government approval

### 2.1.2.5 Trustee board

Before opening this account, there have to some documents:

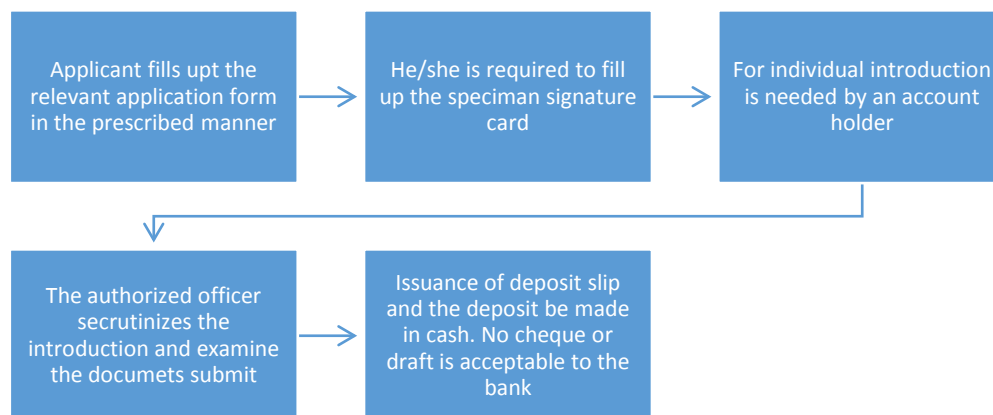
- Prior approval of the head office of MBL
- Certified copy of deed of trustee
- Up to date of the members addresses

### 2.1.2.6 Minor's account

This account need some documents about the minor:

- The accusation system guidance(AOF) is to be filled up and signed by the parents or the legal guardian of the minor

### Account opening procedures in a flow chart



## 2.2 Local remittance section

In general banking local remittance activities is the most important component. Those are:

- Telegraphic transfer
- Demand draft
- Pay order

Telegraphic transfer and demand draft is not available now because of online banking. But people still use pay order.

### 2.2.1 Pay order

There is a pay order form in the bank and the customer should have to fill it up with the full information and signed it. The bank charges some commission in issuing pay order. Those are:

Total amount of PO	commission
Up to TK. 10000.00	Tk. 29
Tk. 10000.00- 100000.00	Tk. 58
Tk. 1000001.00 – Above	Tk. 115

### **2.2.1.1 Payment of pay order**

The pay order is presented to the bank either through clearance or for credit to the client's account. While payment, relative entry is given in pay order register with the date of payment.

### **2.2.1.2 Cancellation of pay order**

The following procedure should be followed for the cancellation of the pay order:

- The client should submit a written request for canceling the pay order attaching with the original pay order.
- The signature of the purchaser will have to be verified from the original application
- Manager's permission is must before refunding the amount of the pay order
- Then the officer should write "cancelled" on the pay order
- Cancellation of the pay order should also be recorded in the register

## **2.3 Deposit scheme section**

Bank is the largest organization in domestic savings. Savings procedure is the most reliable way to mitigate the poverty of our country. The financial institution and the banks are the main part to focus on this part and make people aware to save more for their better life in future.

There are two kinds of saving scheme:

- Double Benefit Deposit Scheme (DBBDS)
- Monthly Saving Scheme (MSS)

### **2.3.1 Double benefit deposit scheme (DBDS)**

Objectives

- Give maximum benefit
- Deposit becomes double in 7 years and 6 months
- Help to meet any needs of a money



## Features

- The maximum amount have to be 50000.00 tk.
- All taxes/duty fee/surcharges will be deducted as is it is imposed by Government of Bangladesh
- In case of premature the interest will be paid on saving A/C rate
- Loan can be granted up to maximum of 90% of the deposit but the minimum principal amount should have to be 20000tk

### **2.3.2 Monthly saving scheme (MSS)**

It makes the habit of saving and it can be the various size of installment. So there will not be a problem for a poor person to save by MSS.

#### Other features

- All taxes/duty fee/surcharges will be deducted as is it is imposed by Government of Bangladesh
- In case of premature the interest will be paid on saving A/C rate
- Loan can be granted up to maximum of 90% of the deposit but the minimum principal amount should have to be 15000tk

### **2.4 Documents that are given to the A/C holders**

All account holders will be provided with some documents after opening their account. Those are

- Deposit slip
- A cheque book
- A thank giving letter to the customer

### **2.5 Issuing cheque book to the customers**

- When a new account is opened the officers draw an order of cheque book for that applicant
- Before delivering the cheque book the officers will take a sign from that owner of cheque book in the cheque book register
- Then the officers will input the amount of leaf of the cheque book and issue it for the customer and asked for authorizations so that the a/c holder can use the cheque book

## **2.6 Transfer of account**

After transferring an account from one branch to another, all the document, sign of the account holders, signature card of the account holder have to be attached with the account opening form. There is no charge is applied for transferring an account.

## **2.7 Closing an account**

A banker can close the account of his /her customer. Before closing the account, there have to some legal documents. Those are:

- Notice from the account holder given by himself
- Death of customer
- Custer insanity and insolvency
- Injunction of the court

After receiving the application from the account holder of closing the account, the signature of the account holder should be verified by the officer. There are some activities to maintain after closing an account-

- Draw the amount of tk 100 for all A/C as closing charge
- Chequebook or outstanding cheque leaf will be destroye

## **2.8 Account Section**

People are more aware of doing their everyday transection with the bank because they believe that bank are recording those transection properly. The most important thing is bank deals with the people money and this is so important to record all the data so that there will be no short of money in their transections. On the other hand in accounting departmentsometimes the accountants face some mistakes in passing vouchers or entries also.

### **2.8.1 Functions of accounting department**

#### **Day to day functions**

- Recording of transection in the cashbook, general and subsidiary ledger
- Preparing the daily position of deposit and cash
- Recordings of inter branch fund transfer
- Checking whether all the vouchers are correctly passed
- Recording the voucher in the voucher register

## Periodically functions

- Monthly statement of deposit, loans, advances, profit and loss
- Quarterly statement of deposit, loans, advances, profit and loss
- Yearly statement of deposit, loans, advances, profit and loss
- Yearly budget of the branch

## 2.9 Clearing sections

According to the order of Bangladesh bank 1972, which are the member of clearing house named as scheduled bank. The scheduled bank clear the cheques drawn upon one another through the clearing house. There is an arrangement of central bank that every day the member's banks will gather the clearing cheque.

### 2.9.1 Processing for the clearing cheque collection

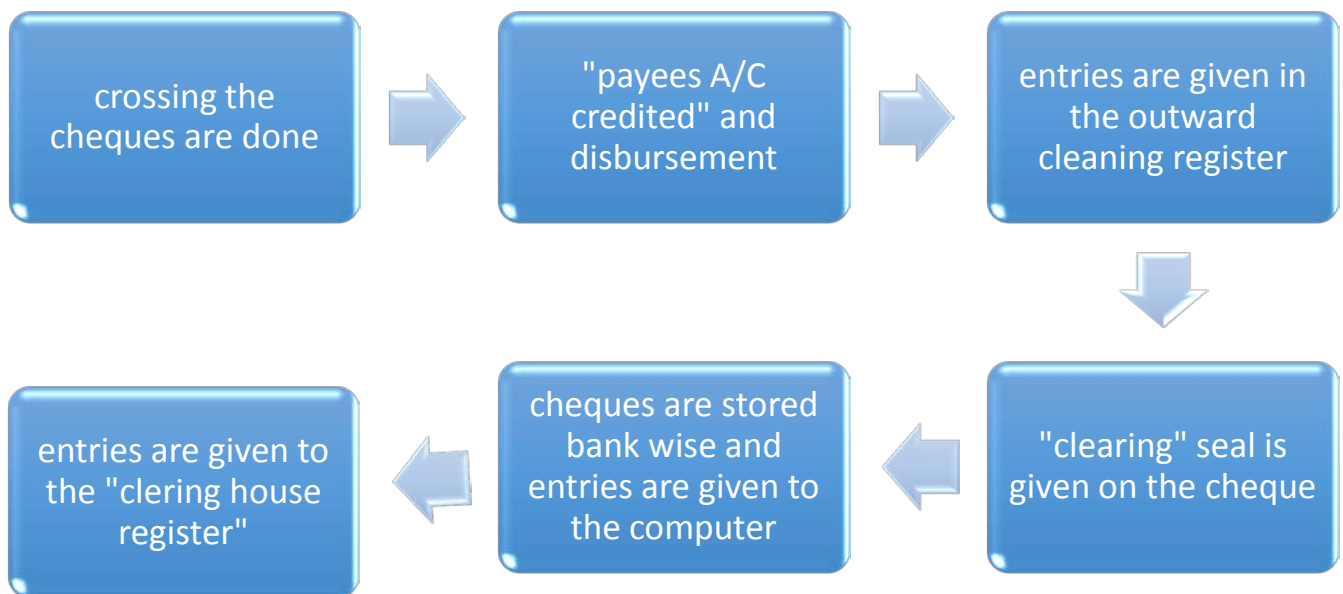


Figure: processing for clearing cheque collection

### Outward clearing bills:

There are three kinds of system

Cheques drawn on another branch of MBL and the process is

cheques are directly sent to the respective branch

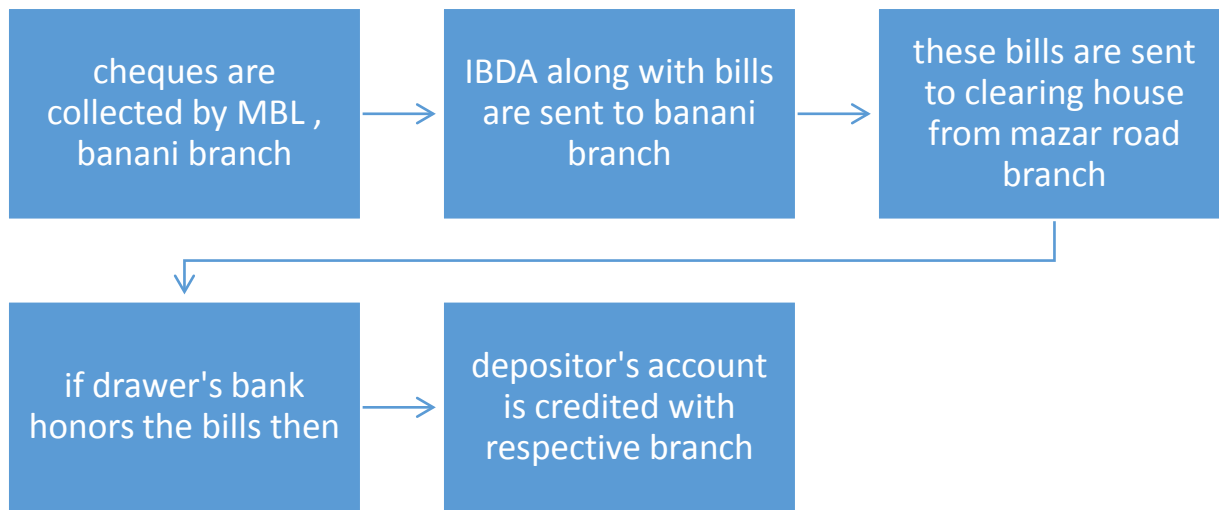
OBC received along the instrument by the respective branch

entry passed in OBC register of that branch

IBCA comes to the customer's account is credited

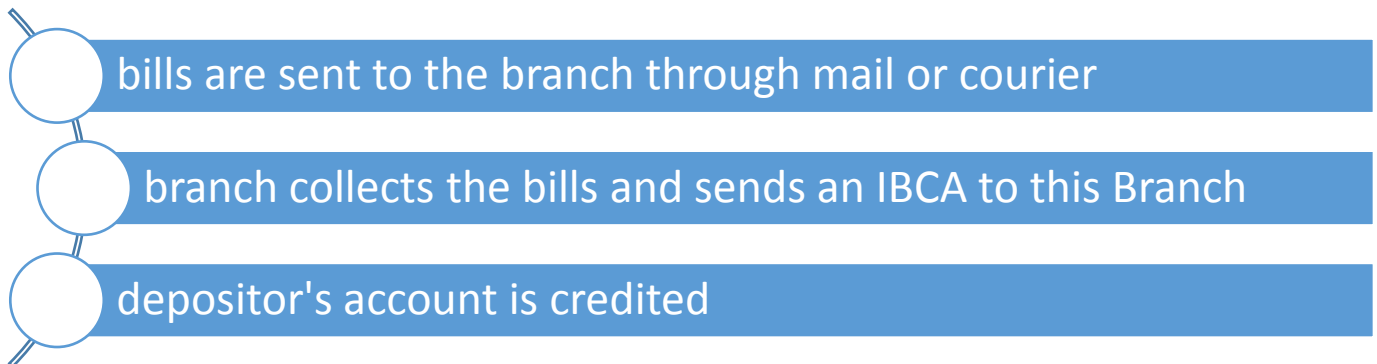
IBCA is sent from that branch to this branch

- Cheques drawn on another bank, which is situated within clearing house area



### 2.9.2 Procedures for outward bills for collection (OBC)

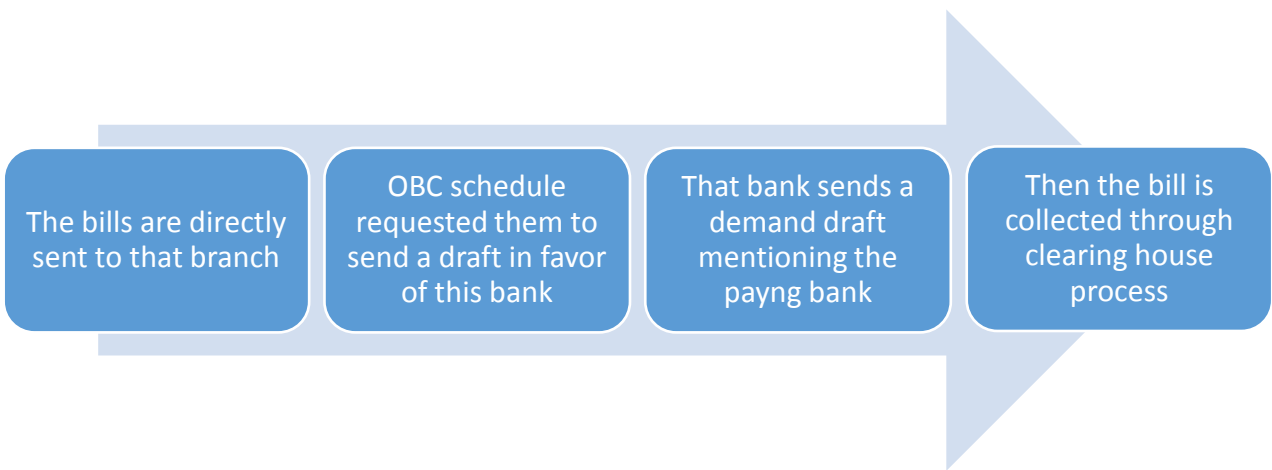
- If the bill is drawn on a branch of MBL-



- If the bills is drawn on another bank and there is a branch of MBL

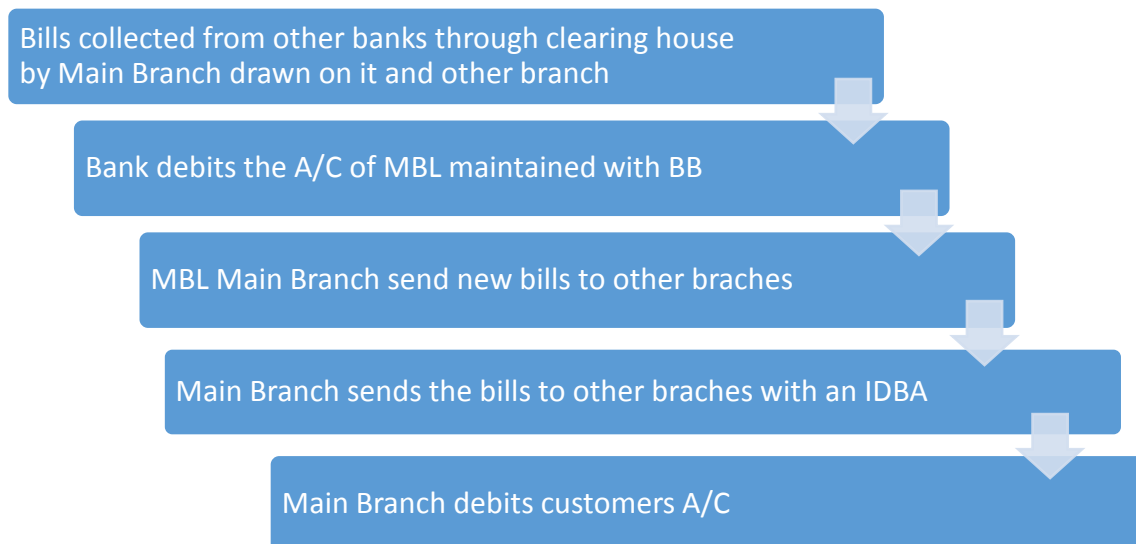


- If the bill is drawn on another bank but there is no branch of MBL



### 2.9.3 Inward clearing bills:

If MBL branch received from other banks in the clearing house by the representative. The process will be:



#### **2.9.4 If cheques are returned:**

Procedures of returned cheque:

- When instrument are sent to the bank via clearing house, it is entered into the clearing in register
- The officer checks the instrument thoroughly before it is sent to the computer section for posting
- The information is then sent back to the clearing house for taking appropriate action

#### **2.10 Cash section**

Cash section is very important thing for any branch and all the branch member in cash section is very sincere to handle it. Cash officer begins his/her transaction with taking money from the vault, known as the opening cash balance.

There are some requirements to maintain cash section

##### **2.10.1 Cash receipt**

- At first the depositor fill up the deposit slip to deposit their money
- Officers in the cash counter are receiving those money from the depositor and then count it, enter the amount of money in the register, seal the deposit slip and sign it with the running date.
- At the end of the day both of the entries and the register will cross checked whether it is same or not

##### **2.10.2 Cash payment**

- When a person comes to the bank to cash a cheque, she/he first check the account whether there is sufficient money or not
- Then the cash in-charge will check it and after that the cash officer will ask for a sign from the bearer of this cheque on its back
- Then the cash officer put his/her initial beside the bearers' sign that the signature is accurate
- Then the cash officer will enter the details of the cheque in his/her register and will pay the money to the bearer
- At the end of the day these register will be compared to ensure the correction of the entries

##### **2.10.3 Dishonor of the cheque**

If the cheque will dishonored, MBL sends a memorandum to the customer stating the reason in the following:

- Refer to drawer
- Not arranged for or over the arrangement
- Payment stooped by drawer
- Payee’s endorsement irregular/illegible
- Drawer’s signature differs
- Cheques is not posts dated/out of date/ mutilated
- Amount in words and figures differs
- Crossed cheque must be presented through a bank
- Cheque crossed “account payee only”

**2.11 locker service**

This service helps the customer to keep their important documents, paper, and instrument and precious item in safe. This service is maintained by two responsible senior officer with the highest safety by keeping two separate keys with them.

There are different size of lockers such as large, medium and small. The rate of the rent is given below:

Locker service	Rent (annul)	Small- BDT 2000
		Medium-BDT 3000
		Large- BDT 4000
	Security deposit (Refundable)	Small- BDT 2000
		Medium-BDT 3000
		Large- BDT 4000
Replacement of key/closing	BDT 2000	

Procedure:

- Must be saving account holder
- An application from must be filled up
- Single/joint operation
- Seal of the company
- Two copies of pp size photos
- Yearly charge must be pain in advance
- Security money is refundable at the time of closing

# CHAPTER 3

## SWOT

### Analysis



### 3.0 SWOT analysis

Every organization has its internal strength and weakness and has some external opportunities and threats and this things are given below:

#### 3.1 Strengths

- **Superior quality:** Mercantile Bank Ltd. provides its customers excellent and consistent quality in every service for that reason customer become happy with their service.
- **Efficient management:** all the manager of the Mercantile Bank Ltd. are solely directed to maintain a culture for the betterment of the quality service of the bank.
- **Experts:** the main factor of the success of the Mercantile Bank Ltd. is their highly trained officers.

#### 3.2 Weakness

- **Limited workforce:** Mercantile Bank Ltd. has limited human resources compared to its financial activities. There are not many people to perform most of the task for that reason many employees are burdened with extra workload.
- **Poor information facility:** they can't provide total information because they don't have library and update website for gathering information
- **External forces:** as a new bank MBL wants to follow the rules and regulation of Bangladesh bank very strictly but other banks do not follow them seriously in attaining their target.

#### 3.3 Opportunities

- **Government support:** Government of Bangladesh has returned its full support to the banking sector for a financial status of the country, as it has become one of the vital sources of employment in the country now.
- **Investment opportunity:** there is a great opportunity to take new dimension of banking such as Islamic banking, specialized banking. Otherwise, there are many sectors where this can give special privileges.
- **Evolution of e-banking:** emergence of e-banking will open more scope for Mercantile Bank Ltd. to reach the clients not only in Bangladesh but also in the global banking arena. The bank is already entered the world of e-banking and providing full electronic facilities to its register.
- **Information technology:** banking and information technology might give the bank leverage to its competitors.

### **3.4 Threats:**

**Merger and acquisitions:** the worldwide trend of merging and acquisition in financial institution is causing concentration. The industry and competitors are increasing in power in their respective areas.

**Poor telecommunication infrastructure:** as the world e-banking is going faster, Mercantile Bank is also want to do better but the technology of our country is poor and for that reason MBL cannot reach their goals.

**Insufficient attractive product:** many banks are entering the market with new and lucrative products. Actually, the market for banking industry is now a buyer-dominated market. Unless the Mercantile Bank Ltd can come up with attractive financial products in the market, it will have to face steep competition in the days to come.

# **CHAPTER 4**

## **Ratio Analysis**

#### 4.0 Ratio analysis

I mention some of the financial ratio which will focus more about the financial status of the Mercantile Bank Limited.

1. Cost to Income Ratio
2. Net Profit Margin
3. ROE
4. ROA
5. Net Interest Margin
6. Net Operating Profit Margin
- 7.

Some financial information of Mercantile Bank Limited from 2010-2014

(In million)

<b>Year</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Ratios</b>					
ROA	1.86%	1.7%	1.03%	1.33%	.76%
ROE	24.83%	20.59%	13.42%	16.84%	9.11%
Net interest margin (NIM)	3.59%	2.93%	2.99%	3.58%	3.82%
Total income	9951.81	14124.38	16667.55	19090.7	19381.41
Total cost	1942676849	39150222	51877460	42515408	43074398
Net profit	1425.34	1734.17	1381.45	1978.70	1188.51
Operating profit	2847.12	3501.68	3350.78	4255.70	4410.57
Cost income ratio	40.38%	42.62%	45.17%	41.66%	44.84%
Operating income	4775.81	6102.55	6110.76	7294.96	7996.02

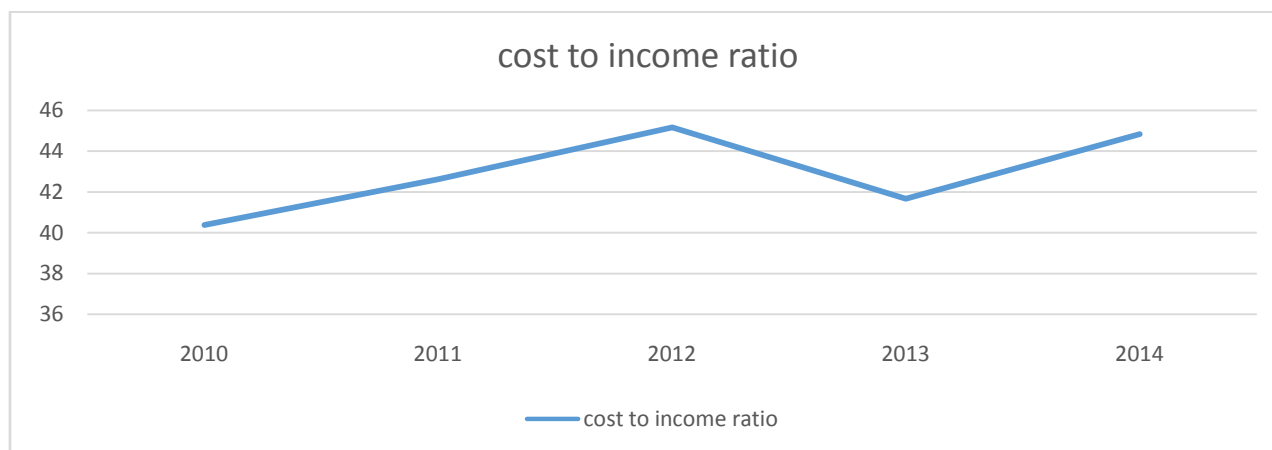
## 1. Cost to income ratio

It measures the operating efficiency and the percent of total operating income and the total cost that they spends in their activities.

Mercantile Bank Limited					IFIC Bank Limited
2010	2011	2012	2013	2014	2014
40.38%	42.62%	45.17%	41.66%	44.84%	39.87%

### Interpretation:

In 2010 to 2012 the cost income ratio of Mercantile Bank Limited is increasing and then it becomes stable and it means their cost is minimizing.



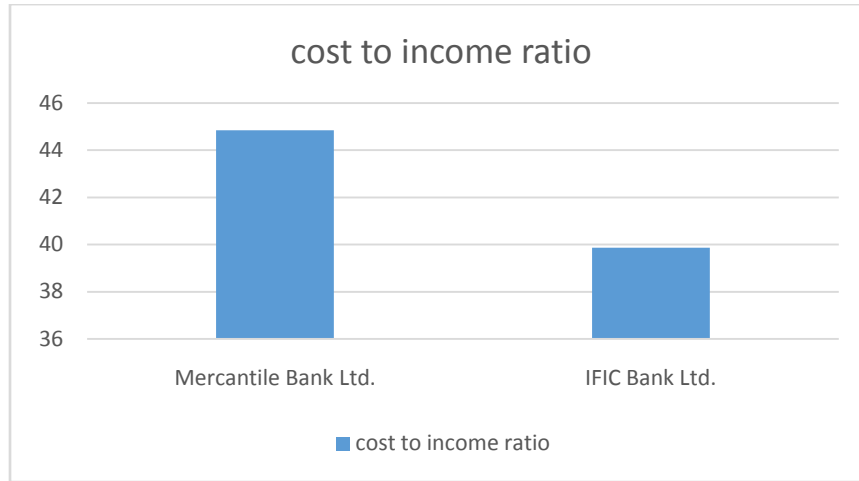
**Figure: cost to income ratio**

### Comparison:

Mercantile Bank Limited	IFIC Bank Limited
2014	2014
44.84%	39.87%

Here, I made a comparison on the cost to income ratio between Mercantile Bank Ltd. and IFIC Bank Ltd. Mercantile Bank Ltd. ratio in 2014 is 44.84% on the other hand, IFIC Bank Limited ratio is 39.87% which is lower than Mercantile Bank Limited.

**Bar-chart:**



**Figure: cost to income ratio**

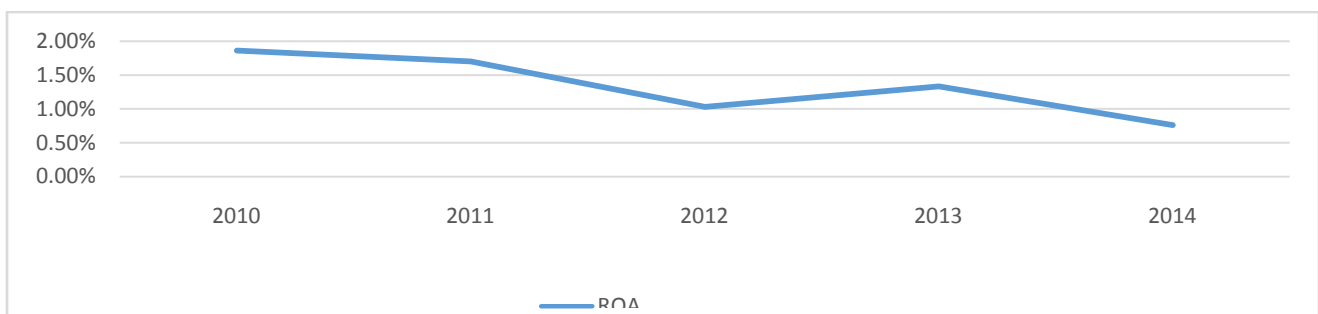
**2. ROA**

The Return on Asset (ROA) which indicates the firm’s effectiveness of management in generating profit with its available total asset.

Mercantile Bank Limited					IFIC Bank Limited
2010	2011	2012	2013	2014	2014
1.86%	1.7%	1.03%	1.33%	.76%	1.07%

**Interpretation**

The range is becoming lower day by day so it means that the bank earning capacity is decreasing day by day.



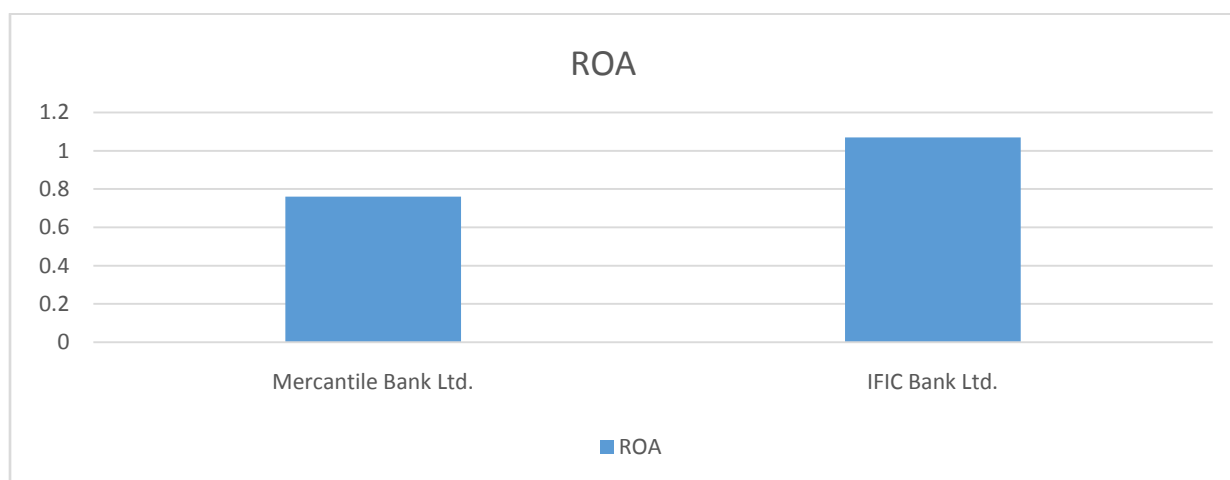
**Figure: Return on Asset (ROA)**

**Comparison:**

Mercantile Bank Limited	IFIC Bank Limited
2014	2014
.76%	1.07%

Here, it shows that the rate of earning capacity of IFIC Bank Ltd. is better than Mercantile Bank Ltd.

**Bar-chart:**



**Figure: Return on Asset (ROA)**

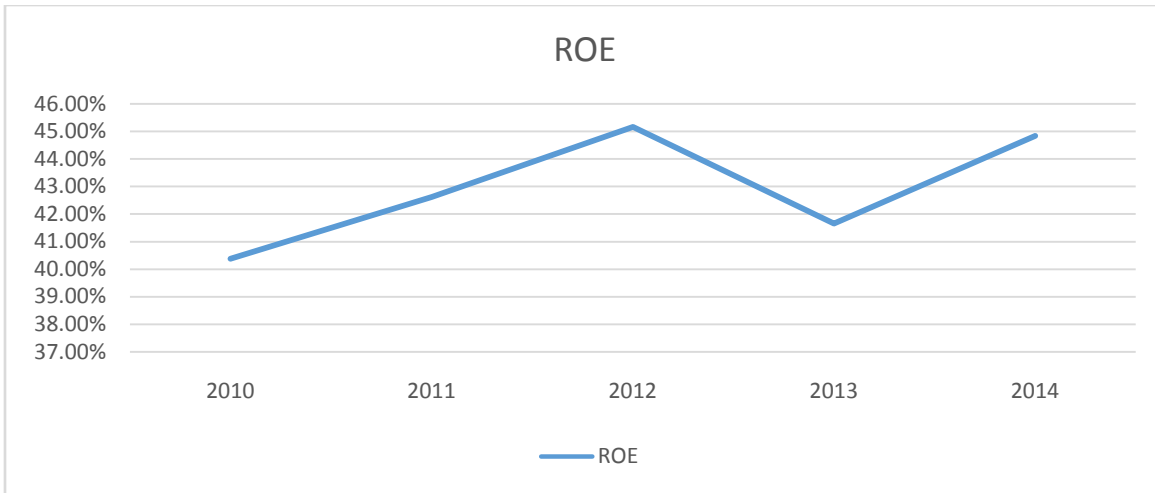
**3. ROE**

The Return on Equity (ROE) means the bank's returned earned on shareholder investment.

Mercantile Bank Limited					IFIC Bank Limited
2010	2011	2012	2013	2014	2014
40.38%	42.62%	45.17%	41.66%	44.84%	48.19%

**Interpretation**

The ROE of this bank from 2010 to 2014 is decreasing and it shows that the earnings from the equity is decreasing and it's a bad impacts for the bank.



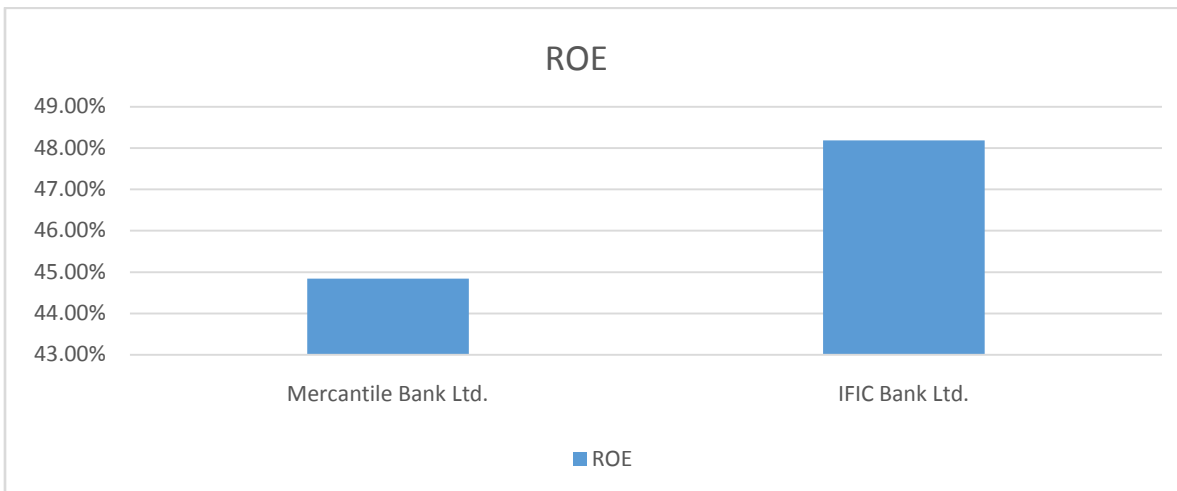
**Figure: Return on Equity (ROE)**

**Comparison:**

Mercantile Bank Limited	IFIC Bank Limited
2014	2014
44.84%	48.19%

Here, it shows that the rate of earning From Shareholder’s Equity of IFIC Bank Ltd. is better than Mercantile Bank Ltd.

**Bar-chart:**



**Figure: Return on Equity (ROE)**



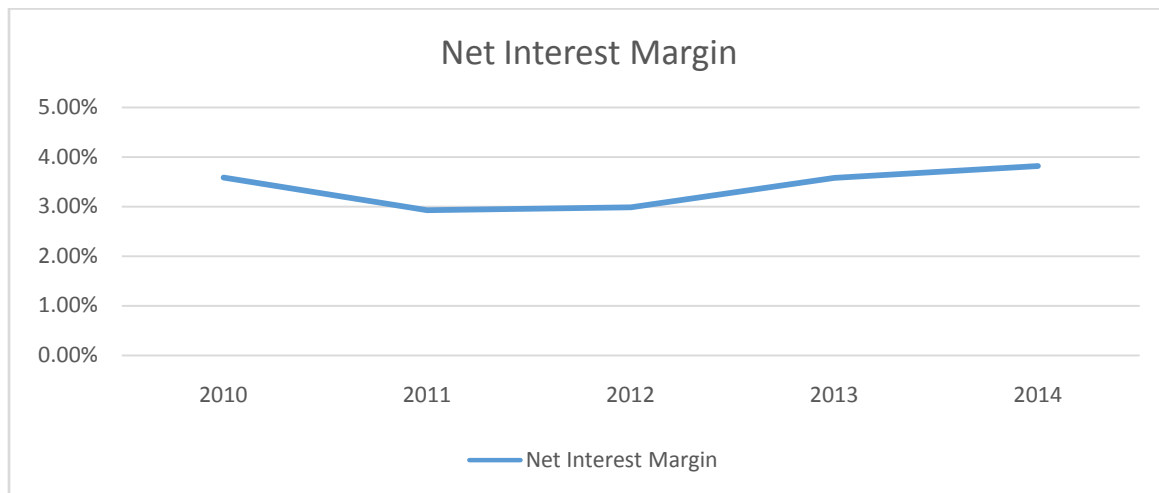
#### 4. NET INTEREST MARGIN

The net interest margin (NIM) which indicates the ratio average earning asset and between the differences of investment returns and interest expense.

Mercantile Bank Limited					IFIC Bank Limited
2010	2011	2012	2013	2014	2014
3.59%	2.93%	2.99%	3.58%	3.82%	3.62%

#### Interpretation:

The margin of net interest is decreasing in 2011 but after that it increasing and it means the company's earnings on interest is increasing which is good for the company.



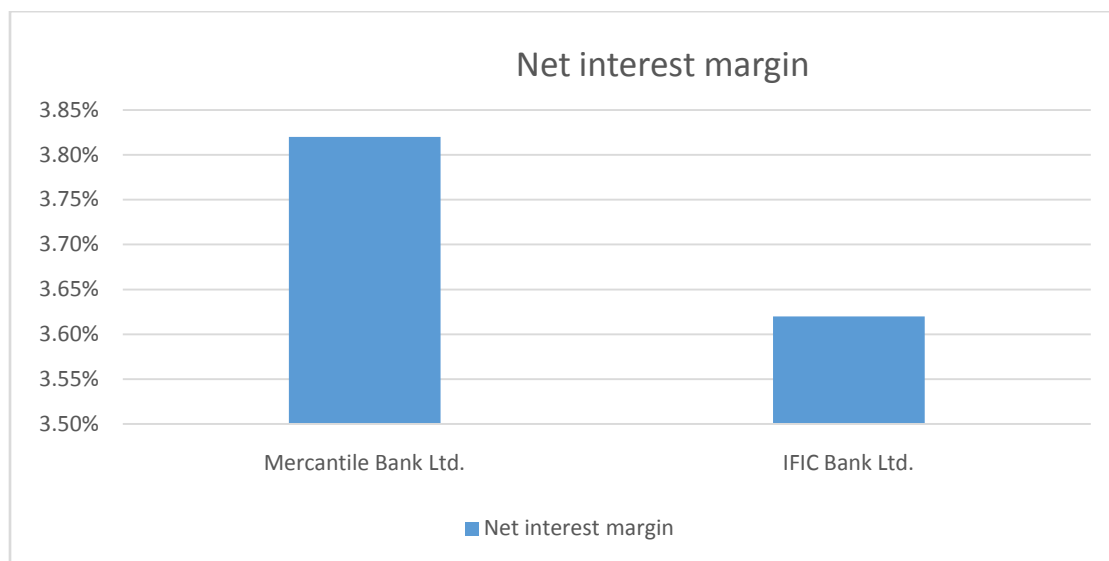
**Figure: Net Interest Margin**

#### Comparison:

Mercantile Bank Limited	IFIC Bank Limited
2014	2014
3.82%	3.62%

Here, it shows that the rate of earning from interest is little bit higher of IFIC Bank Ltd. is than Mercantile Bank Ltd.

**Bar-chart:**



**Figure: Net Interest Margin**

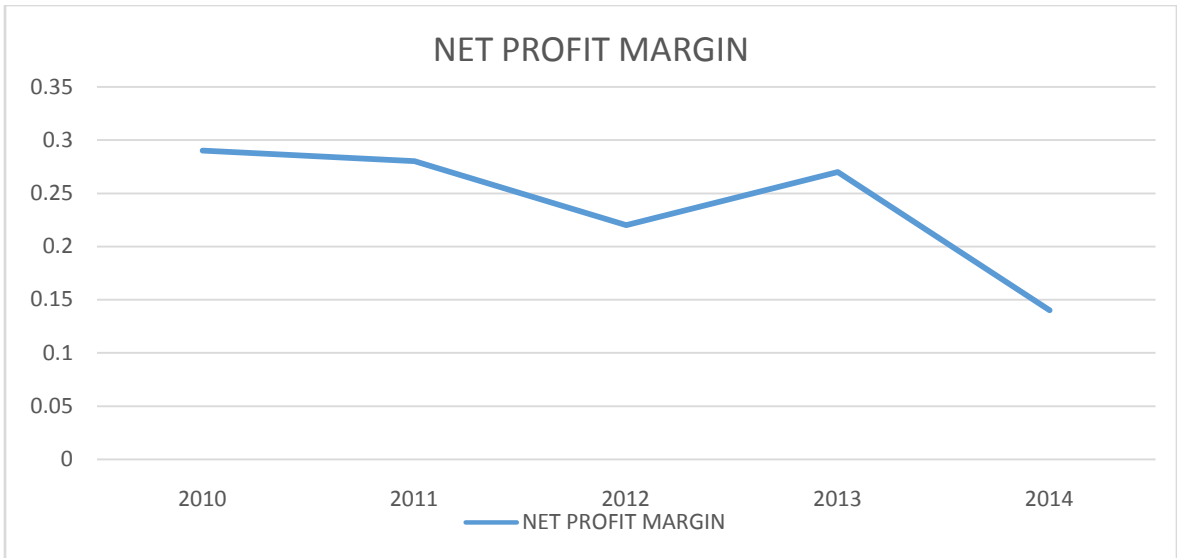
**5. NET PROFIT MARGIN**

It shows the ratio between net profit after tax and the total operating income which indicates the profit function of the company's in that year.

Mercantile Bank Limited					IFIC Bank Limited
2010	2011	2012	2013	2014	2014
.29	.28	.22	.27	.14	.26

**Interpretation:**

The net profit of Mercantile Bank Limited is in up-down situation and it means they can't make the rate of their profit stable.



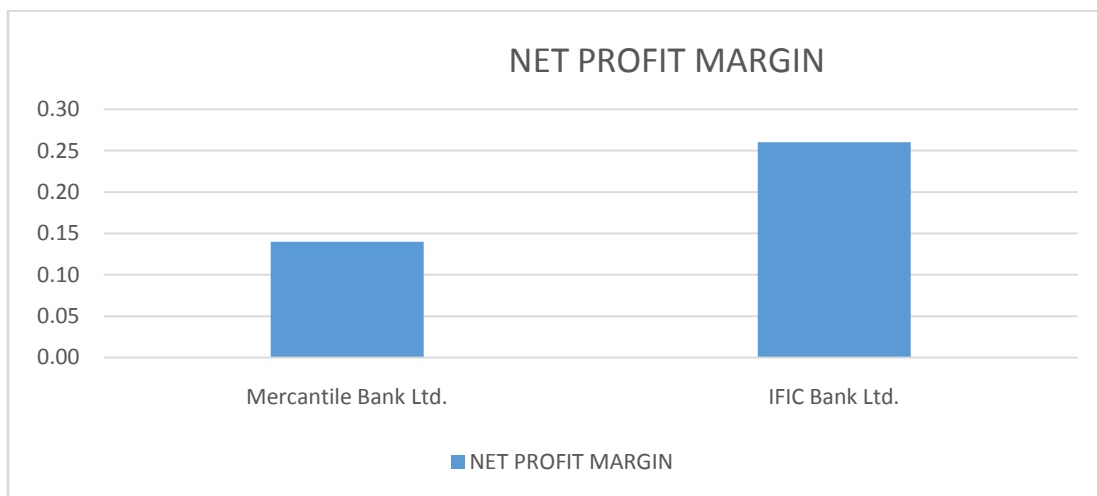
**Figure: Net Profit Margin**

**Comparison:**

Mercantile Bank Limited	IFIC Bank Limited
2014	2014
.14	.26

Here, it shows that the ratio of profit margin of IFIC Bank Ltd. is better than Mercantile Bank Ltd. which means Mercantile Bank Ltd. is not focusing on their profit functions and they don't compare with other company's profit margin ratio.

**Bar-chart:**



**Figure: Net Profit Margin**

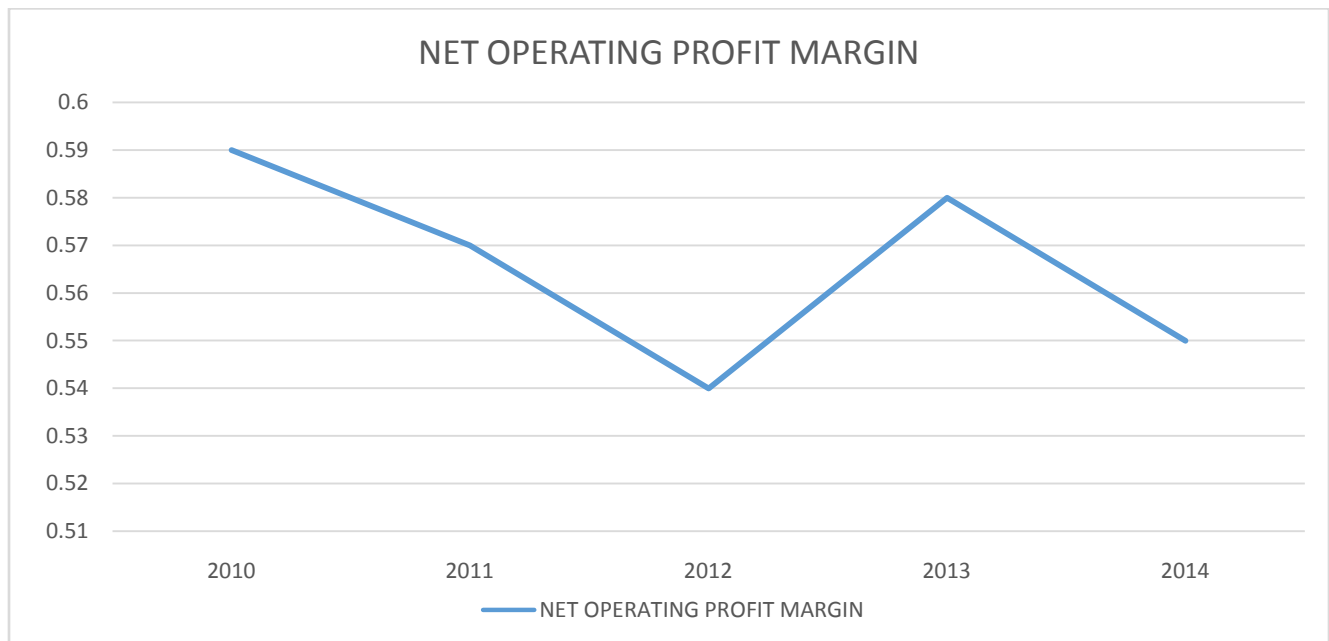
## 6. NET OPERATING MARGIN

It shows the ratio between operating profit and the total operating income which indicates the profit function of the company's in that year.

Mercantile Bank Limited					IFIC Bank Limited
2010	2011	2012	2013	2014	2014
.59	.57	.54	.58	.55	.41

### Interpretation:

The operating profit of Mercantile Bank Limited is in up-down situation and it means they can't make the rate of their operating profit stable.



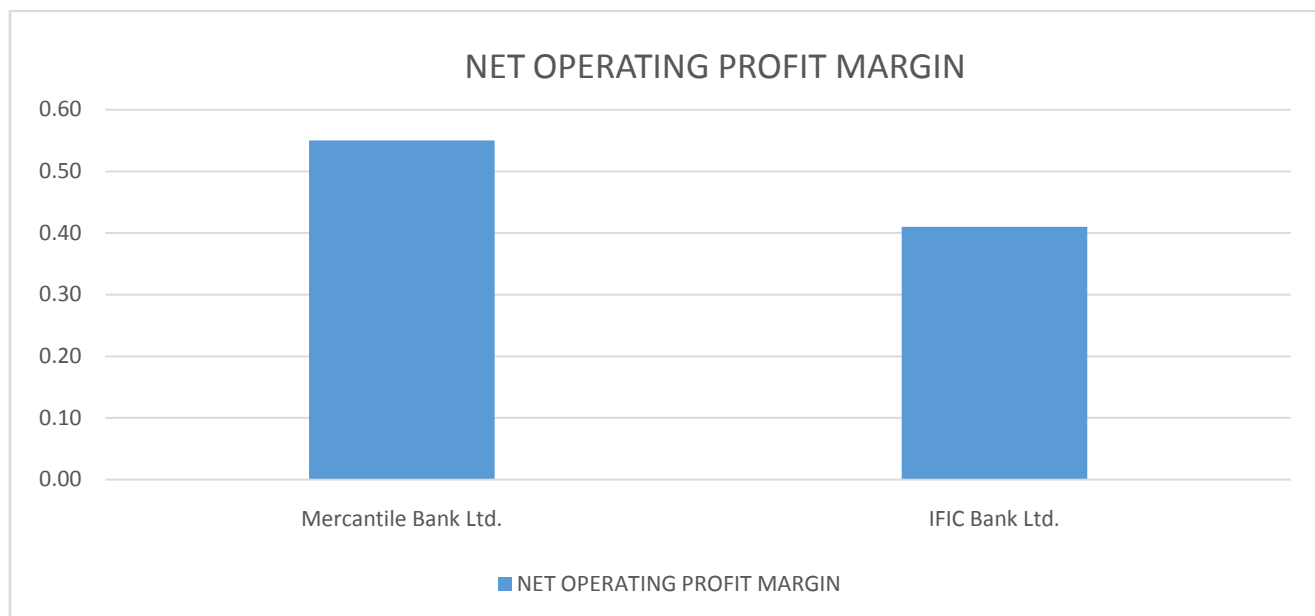
**Figure: Net Operating Profit Margin**

**Comparison:**

Mercantile Bank Limited	IFIC Bank Limited
2014	2014
.55	.41

Here, it shows that the ratio of operating profit margin of IFIC Bank Ltd. is lower than Mercantile Bank Ltd. which means Mercantile Bank Ltd. is doing good in operating their profit and it's indicates the company's good site although.

**Bar-chart:**



**Figure: Net Operating Profit Margin**

# CHAPTER 5

Findings

Methodology

Limitation

Recommendation

Conclusion

## 5.1 Findings

- The cash counter is congested.
- There are no IT officer in the branch which create problems sometimes.
- Sometimes there are some big parties come for opening an account with a high officials reference and they don't submit all the papers which is required for opening an account. I think, in this case the authority is violating the rules.
- Most of the time introducer is important for opening an account. If a person come to the locality as a very new person and they want to open an account, so it becomes a big problem for them to manage an introducer.

## 5.2 Methodology

For achieving the specific objective of this study, I will collect the related data both from primary & secondary sources. For the primary sources of data collection customer's opinion will be collected through questionnaire and also personal observation. I also use secondary data from the reports of MBL, different papers of MBL, journals, website of MBL ([www.mblbd.com](http://www.mblbd.com)).

### Primary data:

- Conservation with different clients and officials of the bank.
- Observing the total environment
- Observation while working in different desk

### Secondary data

- Brochure of MBL
- Net Searching
- Annual reports of the bank
- Website of the MBL ([www.mblbd.com](http://www.mblbd.com)).

## 5.3 Limitation

As I have received co-operation from the concerning body but it was very hard to discuss with them because most of the time they were busy with their work. It was impossible for me to gather the information about the policy of decision making and their business strategy of MBL because the administrative authority will not allow to know about those information.

## 5.4 Recommendation

In my three months internship program in Mercantile Bank Ltd. ring road branch , I have worked in accounts opening section, local remittance section, collection section, cash section, clearing section. Each of this aspects has been described in my report which is all about General Banking Department.

In this time period I gain some experience about MBL and I want to recommend something and those suggestions are:

- Bank should offer more facilities to the customers such as credit card, visa card, ATM machine etc.
- As the clients are not that much interested in introducing system, so the officer should consider them and introduce them in the time of account opening
- The bank should establish more ATM booth in whole Dhaka city as well as the other side of the country
- The bank should open more online services and other services for competing the market
- The bank should open strategic promotional program on their products
- The officers of the bank should have to arrange more training program on the upcoming update of the computer
- The should start more branches in the Dhaka city as well as the other cities of the country

## 5.5 Conclusion

The Mercantile Bank Ltd. has been trying to operate its business successfully in Bangladesh since 1999. Mercantile Bank Ltd. has already developed an image of goodwill among its client by offering its excellent services. This success has resulted from dedication, commitment, and dynamic leadership of its management over the period. The bank spreading its operation through all over the Bangladesh. At present the bank has 104 branches and it's trying to increase more branches all over the country. Banks are also offering SME loan for the economic development of the country. MBL has a strong relationship with



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